

### ANNEX 3: IMPLEMENTATION ARRANGEMENTS: FRAGILITY, CONFLICT AND VIOLENCE ENVELOPE

1. **IDA19 creates a Fragility, Conflict and Violence (FCV) Envelope that will contain resources to support IDA countries facing different kinds of FCV risks.** (See Figure A3.1 where financing tools are represented on a stylized ‘U curve’.) The FCV Envelope will enable IDA to seize opportunities and respond with greater agility to the dynamic needs of IDA Fragile and Conflict-affected Situations (FCS) clients. It will also enable IDA to offer support that is targeted and tailored to the prevailing conflict and fragility dynamics specific to each IDA FCS. The FCV Envelope offers a strong incentive and accountability structure, including Board discussion of all eligibility notes.

#### Box A3.1. Common Features of the FCV Envelope

The three allocations comprising the FCV Envelope will share several common features.

**In-cycle identification.** Eligibility for an allocation can be assessed at any time in the IDA cycle. Countries may apply in FY20 so that allocations are available at the start of IDA19. A country may move between different types of allocations within the Envelope through the IDA cycle, but may receive only one allocation at any given time.

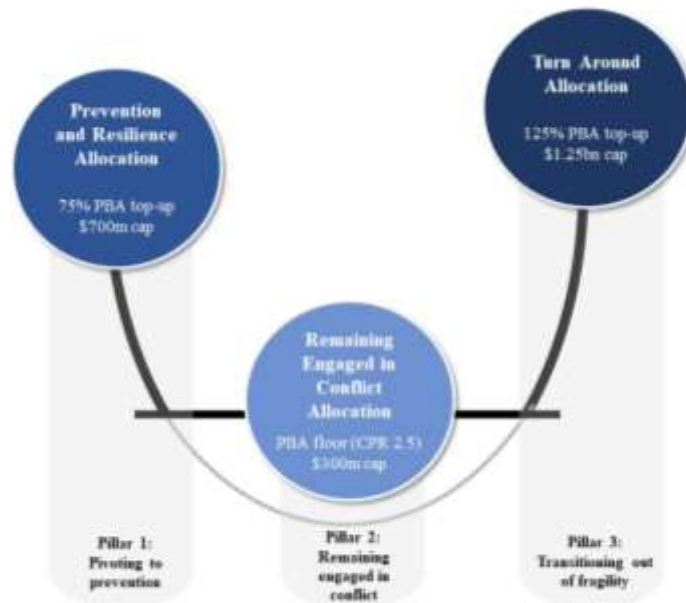
**Eligibility-based processing.** Each allocation will have an initial eligibility process, and continued eligibility will be based on annual reviews. Decisions to access the FCV Envelope will be made by Development Finance in concurrence with Operations Policy and Country Services in the same way as for IDA18 RSW projects. Teams will consult with relevant stakeholders in country, including with the UN, when developing the eligibility notes. Where possible, eligibility and annual review processes will be synchronized with the country’s CEN (Country Engagement Note) /CPF (Country Partnership Framework) /PLR (Performance and Learning Review) cycle. If country circumstances change and eligibility arises off-cycle, countries will prepare an Eligibility Note. All eligibility notes, whether submitted as part of the CEN/CPF/PLR or as a standalone document, will be submitted to the Board for discussion.

**PBA-aligned financing.** Allocations will supplement the country’s PBA by a percentage amount, up to a national top-up cap for the IDA19 period. Financing will be on the same terms as the country’s PBA. Financing from the FCV Envelope should not bring a country’s allocation above seven percent of total country allocations. Countries receiving an FCV-related allocation may continue to access IDA windows.

**Prioritization within the country program.** With the increased allocation, the country portfolio will be recalibrated to focus more directly on the purposes and activities for which the allocation is made.

2. The FCV Envelope will comprise three FCV-related country allocations:
- a. The ***Prevention and Resilience Allocation (PRA)*** will provide enhanced support for countries at risk of escalating into high-intensity conflict or large-scale violence.
  - b. A new ***Remaining Engaged during Conflict Allocation (RECA)*** will enable IDA to maintain a base level of engagement in a small number of countries that experience high-intensity conflict and have extremely limited government capacity.
  - c. The ***Turn Around Allocation (TAA)*** will support countries emerging from conflict, social/political crisis or disengagement, and where there is a window of opportunity for IDA to either re-engage or intensify engagement to support these countries to pursue major reforms to accelerate the transition out of fragility and build resilience.

Figure A3.1. FCV Envelope



### *Prevention and Resilience Allocation (PRA)*

3. As a key financial tool in the pivot to prevention, the PRA will support governments to take proactive measures against escalating conflict and violence. It will provide enhanced support for countries at risk of escalating into high-intensity conflict or large-scale violence, where the Government is committed to addressing the underlying drivers of conflict and violence. The PRA will enable more agile responses to changing fragility and conflict dynamics, while also ensuring country ownership.

4. PRA eligibility will be based on two criteria: (i) a quantified indicator that identifies countries that are at risk of escalating into high-intensity conflict or large-scale violence;<sup>183</sup> and (ii) the Government has in place a strategy or plan acceptable to IDA that describes the concrete steps that the country will take to reduce the risks of conflict or violence, and the corresponding milestones the Government commits to implement with support from the PRA. These eligibility criteria are designed to provide a basis for IDA programming that is genuinely country-led and focused on reducing conflict and violence.

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<sup>183</sup> Data show that the existence of small-scale conflict is one of the strongest predictors of large-scale conflict, reflecting the notion that violence breeds violence. With this in mind, indicators to identify those countries at highest risk of escalating into high-intensity conflict include: (i) countries that already experience some low-level conflict, measured as between 2 and 10 conflict-related deaths per 100,000 people, and an absolute number of conflict-related deaths above 250; and (ii) countries experiencing a rapid deterioration of the security situation, meaning a number of conflict-related deaths between 1 and 2 per 100,000 people, an absolute number above 250, and an increase in conflict-related deaths that is at least double the previous year. This criterion will be based on data from the Armed Conflict Location and Event Data Project (ACLED) and/or the Uppsala Conflict Data Program (UCDP). Below that range, regular PBA can be used to address low risks of conflict, and above that range, the country may become eligible for the RECA. For inter-personal violence, the criterion will be measured as more than 50 intentional homicide-related deaths per 100,000 people using United Nations Office on Drugs and Crime data.

5. **The PRA will top up a country's PBA by 75 percent, up to a national top-up cap of US\$700 million per country for IDA19.**<sup>184</sup> Financing will be provided on the same terms as the country's PBA. While this is a significant top-up, the WB assesses that there is ample demand and absorptive capacity to scale up meaningful programming in these countries, and that prioritization of prevention is warranted, given its net benefits, as outlined in *Pathways for Peace*.<sup>185</sup>

6. **Countries receiving the PRA will recalibrate their IDA portfolio to focus on de-escalating the conflict and violence through development interventions.** This recalibration should be reflected in country dialogue as well as in the pipeline and portfolio of investments and analytical products, as appropriate to each context. The PRA will facilitate WB engagement with the Government on critical yet difficult issues and scale up best-fit preventive and inclusive approaches beyond business as usual. Countries may apply for the PRA at any time during the IDA19 cycle by demonstrating the risks, the Government's plan to address the risks and accompanying milestones, and the WB's supportive program.<sup>186</sup> Continued access to the PRA will be subject to annual reviews.<sup>187</sup>

### ***Remaining Engaged during Conflict Allocation (RECA)***

7. **The RECA will provide a base level of support in rare cases in which a country's PBA is extremely low due to the often-related combination of high-intensity conflict and weak institutional capacity.** Based on lessons from IDA18 engagement in Yemen, this financing tool gives IDA the option to support countries in circumstances where, despite conflict, the WB can meaningfully engage to preserve institutional capacity and human capital that will be critical for the country's future recovery.

8. **Eligibility for the RECA will be based on three criteria:** (i) a quantified indicator that identifies countries in high-intensity conflict;<sup>188</sup> (ii) a Country Policy and Institutional Assessment (CPIA) of 2.5 or below; and (iii) a proposed program that is consistent with the RECA.<sup>189</sup>

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<sup>184</sup> Downwards adjustments to this allocation may be warranted in certain circumstances, such as weak absorptive capacity or debt considerations.

<sup>185</sup> United Nations and World Bank, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict* (Washington DC: World Bank Group, 2018).

<sup>186</sup> A PRA Eligibility Note will address: (i) the risks of conflict and violence that the country is facing; (ii) the government's strategy to mitigate these risks; (iii) milestones that the government commits to meet with support from the PRA, similar to CPF indicators; (iv) a summary of other partners' activities; and (v) the WB's proposed approach, including partnerships, adjustments to the country program, including policy dialogue, portfolio, and pipeline. The Eligibility Note will be synchronized with the CEN/CPF/PLR cycle where possible. If off-cycle, the Eligibility Note will be submitted to the Board for discussion.

<sup>187</sup> A PRA annual review will address: (i) how PRA resources have been used and progress made in recalibrating the country portfolio; (ii) an update on risks and the Government's approach to mitigating these risks; (iii) the Government's performance against the agreed milestones; and (iv) updates to the WB program and/or the milestones. In cases where agreed milestones have not been met due to factors within the Government's control, access to the PRA will be suspended, and the country would return to regular PBA the following FY.

<sup>188</sup> The criterion will be measured as ten or more conflict-related deaths per 100,000 people using ACLED and/or UCDP data.

<sup>189</sup> RECA eligibility notes will be synchronized with the CEN/PLR cycle where possible. If off-cycle, the Eligibility Note will be submitted to the Board for discussion.

9. **The RECA will be used to finance a specific set of development activities focused on WB comparative advantage as a development actor in the country context.** The allocation will enable the country portfolio to focus on development activities that preserve institutions and human capital, such as delivery of basic services and capacity building in key institutions. The use of the allocation will seek to ensure value for money in achieving development outcomes, while recognizing that working in these contexts entails higher costs.

10. **In the following limited circumstances,<sup>190</sup> IDA funding in RECA countries<sup>191</sup> may be provided directly to UN agencies and INGOs:<sup>192</sup>**

- a. *A government request* to provide financing directly to organizations to carry out operations due to capacity constraints of the Government to effectively manage and implement operations;
- b. *Demonstrated value-added of IDA financing* to ensure activities and outcomes supported by IDA are consistent with IDA's development mandate and are additional (i.e., are not already planned or financed by executing parties);
- c. *Demonstrated attention to rebuilding national and/or local systems, including institutional strengthening and capacity building* in line with IDA's rationale for engagement during conflict by focusing on preserving development gains and building capacity for future recovery; and
- d. *Demonstrated attention to sustainability* including that the executing parties have a financing plan that goes beyond IDA to support recurrent costs.

11. **The RECA will top up a country's PBA on the same terms as its PBA.** If the country's CPR is 2.5 or below,<sup>193</sup> their PBA will be calculated on the assumption that their CPR is 2.5, up to a national top-up cap of US\$300 million.<sup>194</sup> RECA countries may also access IDA windows, including the Crisis Response Window (CRW).

12. **The RECA designation will enable more agile responses to changing conflict dynamics.** Countries may apply for the allocation at any time during the IDA19 cycle by demonstrating the WB's proposed approach, including the program, policy dialogue, partnerships and coordination, portfolio pipeline and risk management including regarding the potential impact of IDA's program on conflict dynamics. Continued access to the RECA will be subject to annual reviews.<sup>195</sup>

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<sup>190</sup> This is in addition to the circumstances where the WB operational policies already allow for such direct financing to UN agencies and/or INGOs.

<sup>191</sup> This will apply to RECA countries accessing CRW or other IDA funding.

<sup>192</sup> In such cases, no commitment charge would apply.

<sup>193</sup> Downwards adjustments to this allocation may be warranted in certain circumstances, such as weak absorptive capacity or debt considerations.

<sup>194</sup> During high-intensity conflict, it can be difficult to collect the data needed to generate the country's GNI per capita and population. Where this occurs, the average of the last three years of reliable data will be used for calculations.

<sup>195</sup> A RECA annual review will address: (i) how the RECA allocation has been used; (ii) conflict dynamics; and (iii) any adjustments to the WB program.

### ***Turn Around Allocation (TAA)***

13. **The TAA will provide enhanced support to countries that are emerging from conflict, or social/political crisis or disengagement, and where the Government is pursuing a reform agenda to accelerate its transition out of fragility and build resilience.** These are countries at a critical juncture in their development trajectory where there is a significant window of opportunity for IDA to help build stability and resilience to accelerate the transition out of fragility.

14. **Eligibility for the TAA will be based on three criteria:** (i) a CPIA of 3.0 or below, or a period of disengagement;<sup>196</sup> (ii) the Government has in place a strategy or plan acceptable to IDA that describes how the country is turning around, including the concrete steps that the country will take to implement a reform agenda to accelerate its transition out of fragility and build resilience, and the corresponding milestones the Government commits to implement with support from the TAA; and (iii) a CEN/CPF that makes a compelling case for WB support to the Government's reform agenda.

15. **The TAA will top up a country's PBA on the same terms as its PBA.** The top-up will be 125 percent of the country's PBA (i.e. more than double their PBA) up to a national cap of US\$1.25 billion per country during IDA19.<sup>197</sup> While this is a significant allocation, the WB assesses that there is ample demand and absorptive capacity to scale up meaningful programming in these countries.

16. **Countries receiving the TAA will develop/recalibrate their IDA portfolio to focus on the Government's reform agenda.** The TAA will help to scale up and focus the country portfolio on supporting the Government's efforts to implement major policy shifts to accelerate its transition out of fragility and build resilience. Countries may apply for the TAA at any time by demonstrating how the country is turning around, the Government's reform agenda, the WB's supportive program, and accompanying milestones.<sup>198</sup> Continued access will be subject to annual reviews.<sup>199</sup>

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<sup>196</sup> Currently, five IDA countries are disengaged from IDA, namely Eritrea, Somalia, Sudan, Syria, and Zimbabwe. These countries may choose to re-engage during IDA19 after clearing arrears to IDA and/or IBRD. In the case of Syria, as stated in the IDA18 Replenishment Report, commitment of IDA funds will require the following: (i) arrangements for the clearance of IDA arrears; and (ii) the WBG's ability to engage with an appropriate government counterpart and to effectively appraise and supervise projects in the country (whether through staff presence or the use of third-party monitoring agents). If Syria were eligible for the TAA, it could receive up to US\$1 billion, subject to performance.

<sup>197</sup> Downwards adjustments to this allocation may be warranted in certain circumstances, such as weak absorptive capacity or debt considerations. For countries with a CPR of 2.5 or below (including RECA countries moving to the TAA or other post-conflict countries with weak institutions), a CPR floor of 2.5 will be used to calculate their PBA before the 125 percent top-up is applied. The same can be done for a re-engaging country that has very low CPIA and/or CPR. In those rare cases, the CPR floor of 2.5 can be used to calculate their PBA, as if that country were coming from the RECA to the TAR. This eliminates the need for a PCPI.

<sup>198</sup> The TAA Eligibility Note will address: (i) the significant window of opportunity, and the government's strategy to seize this opportunity; (ii) milestones that the government commits to meet with support from the TAA, similar to CPF indicators; (iii) a summary of other partners' activities; and (iv) the WB's proposed approach, including partnerships, adjustments to the program, including policy dialogue, portfolio, and pipeline. The Eligibility Note will be synchronized with the CEN/CPF/PLR cycle where possible. If off-cycle, the Eligibility Note will be submitted to the Board for discussion.

<sup>199</sup> A TAA annual review will address: (i) how the TAA has been used and progress made in recalibrating the country portfolio; (ii) updates on the implementation of the Government's reform agenda; (iii) the Government's performance against the agreed milestones; and (iv) updates to the WB program and/or the milestones. In cases where agreed milestones have not been met, or relapse into conflict, access to the TAA will be suspended, and the country would return to regular PBA the following FY.