Our Call for a Strong IDA19 Replenishment

Joint Statement by IDA Borrowers' Representatives for
Sub-Saharan Africa, East Asia and Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa and South Asia

IDA19 Third Replenishment Meeting, October 21-22, 2019, Washington D.C., USA

1. We commend Management of the World Bank Group (WBG) and IDA staff for their concerted efforts and dedication in preparing comprehensive documents for this Meeting. We deeply appreciate the continued engagement with our representatives in refining policy commitments with a view of incorporating our comments and those of IDA Deputies. We sincerely thank Deputies for their continued support to IDA and for their unwavering commitment to see a prosperous world free of extreme poverty.

2. The international community has committed in 2015 to leaving no one behind. As most of the left behind are trapped in a complex web of deprivations, this commitment connotes that the sustainable development goals will only be considered successful if they deliver results for everyone, particularly the furthest behind. It requires the international community to lift about 700 million people out of extreme poverty, most of whom are in Sub-Saharan Africa and in countries afflicted by fragility, conflict and/or violence. Unfortunately, poverty of multiple dimensions is concentrated where governments and private actors are amongst the world's most under-resourced. Understanding that poverty is a public bad, as poverty anywhere is a problem everywhere, the international community is called on and has a moral obligation to support developing countries in their efforts to reduce poverty and address fragilities. To deliver on the SDGs, such support needs to be coherently coordinated and, IDA is uniquely positioned to take that role.

3. Our countries continue to treasure the long-standing partnership with IDA in their endeavors to mobilize the resources required to meet the Sustainable Development Goals (SDGs), and ultimately, to reduce poverty and boost shared prosperity. The amount of resources needed to pursue this noble development agenda is well beyond what IDA countries can mobilize internally. To bridge the financing gap, IDA countries count on IDA to supplement their resources through direct lending and catalyzing private resources. Given that many IDA countries are still grappling with multi-faced development challenges and that the urgency to address them is obvious, we call for a robust IDA19 Replenishment. Hence, our preference is for the high-case scenario.

4. Against this backdrop, we would like to share our collective views on the need for a robust replenishment:

5. Two years into the implementation, IDA18 has demonstrated solid progress across the policy commitments and the strongest demand by IDA countries over the last five replenishments. The IDA18 outturn indicates that demand for IDA resources is high, and the capacity to deploy them where they are needed most is there. IDA19 is essentially an extension of IDA18. Hence, the demand for resources continues to increase and will require a robust IDA19 to support countries in advancing their development agenda.

6. We welcome the (revised) policy commitments under the five special themes and take note of the clear mapping of policy commitments to the cross-cutting issues of debt, technology, human capital, disability and a renewed focus on migration. These commitments are ambitious and mark a significant shift from those of IDA18, as they largely focus on impact. However, it is impossible to implement these ambitious policy commitments and achieve the intended impact without commensurate resources. A robust IDA19 Replenishment is needed to upscale/intensify our support to IDA FCS and vulnerable small states, bolster governance and institution, and unleash the potential of markets to promote jobs and economic transformation. To be sustainable, such progress must empower women by promoting gender equality and, help countries address risks brought about by climate change.

7. Meeting IDA's ambitious policy commitments will require an equally matching ambitious financing scenario. The "high-case scenario" represents the only scenario among those considered that will support a modest increase in per capita country concessional allocation in real terms to non-FCS countries and meet the IDA19 strategic ambitions, while addressing population growth. We urge IDA Partners to work towards achieving this high scenario while maintaining the concessionality level of IDA 18, scaling up support to FCS and maintaining IDA's support to small states in real terms.

8. We support the proposed creation of an FCV envelope. The latter will enable IDA to harmonize existing IDA regimes and scale up financing to IDA FCS facing different kinds of FCV risks. The appropriate sizing of the FCV envelope is also critical to ensure successful implementation of the forthcoming FCV strategy, which is to identify a conceptual and operating framework and a set of priority actions over the next five years, with a view to develop a more systematic approach in strengthening the WBG's support to client countries and vulnerable populations. We urge IDA to support national and regional institutions in building capacities especially in FCS, including under RECA and, consider the implementation arrangements with non-local institutions only as exceptional and temporary arrangements. Systemizing international interventions against fragility and vulnerability is timely, as inaction would result in more than 80 percent of the world's poorest to live in fragile and vulnerable contexts by 2030.

9. Several development challenges facing IDA countries have a regional dimension and therefore require regional solutions. In this regard, we support the scaling up of resources of the IDA Regional Window (RW), the proposal to introduce the Development Policy Financing instruments under the Regional Window and, the revival of the financing for single-country operations that demonstrate positive cross-border spill-overs and the enhanced support to regional organizations. The RW will also be instrumental in supporting Global Value Chains (GVCs), new avenues of regional integration and economies of scale, as well as continent-wide initiatives, such as the African Continental Free Trade Area (AfCFTA), which holds the promise to boost intra-regional trade and free flow of capital and human resources. We also welcome the enhanced Crisis Response Window to support slower-onset crises and, the exceptional support under IDA's systematic approach to Arrears Clearance.

10. The quest for sustainable and inclusive growth will remain elusive if the private sector takes a back seat in the process of economic transformation. The slower pace of structural change through economic transformation, is partly in IDA countries attributable to the nascency of the private sector in most IDA countries, particularly in Sub-Saharan Africa. We, therefore, commend

the Bank Group for retaining the Private Sector Window (PSW) in IDA19. Lessons learned under IDA18 should adequately equip staff to develop a solid pipeline of transformative PSW operations. The PSW is one of the avenues where the "One World Bank Approach" can pragmatically be demonstrated. We, therefore, call on IFC, MIGA and IDA teams to leverage their synergies to ensure that the PSW contributes to effectively creating markets in eligible IDA countries, with a forceful thrust forward in FCS countries.

11. We reiterate our support for the transition from the Non-Concessional Borrowing Policy (NCBP) to the Sustainable Development Finance Policy (SDFP). This shift is warranted because the context in which NCBP was initially conceived has changed dramatically. External non-concessional debt is no longer the only driver of debt vulnerabilities. We support the two pillars of SDFP that aim to incentivize countries to move towards sustainable financing and promote debt transparency. Our IDA countries are committed to upholding the principles of debt transparency. It is a legal and moral obligation for our countries to uphold fiscal contract with the public. At the same time, enhanced transparency contributes to the improvement of credit rating and better access to much-needed financing in the international markets. In addition, we call for a wider and urgent consultation with IDA countries on the forthcoming SDFP. We believe that further consideration should be given to extending the new policy to countries that are currently outside of the scope of the NCBP. We refer in particular to the principles of activation of the set-aside for countries with moderate risk of debt distress and/or an active program with the IMF. Further, we call on Management not to lose sight of the fact that there are other drivers of debt vulnerabilities such as the response to natural disasters, as in the case of small states as well as important scale-ups of borrowing linked to external shocks.

12. Efforts should be directed towards ensuring transparency in the decisions leading to the set-aside and, that reform programs are country-led and tailored to ensure realism and timely feasibility. We also urge management to roll out a robust and comprehensive technical assistance and outreach programs ahead of the implementation of the SDFP, with an emphasis on strengthening countries' understanding of the SDFP and its implications and on ensuring that all IDA countries acquire an effective capacity to do their own DSA based on the DSF in use starting July 2018.

13. A robust result management system built on reliable data is critical for IDA to be true to its commitment to prioritize impact. We commend the Bank for finetuning various indicators in the RMS to reflect lessons learned, shifting client demand, data quality and availability, and ensuring that it is fit for purpose. The alignment of these indicators with global and corporate priorities is a step in the right direction, especially with the specific policy commitments to support IDA countries in improving their statistical systems.

14. Finally, we view the changing landscape of development finance as a boon, not a bane. Thanks to the IDA support, several emerging market countries have graduated and are able to pay back their fair shares as IDA contributions. We, therefore, call on the Bank to leverage its convening power to bring in more donors so that we can collectively meet or even surpass the high-case scenario. In this regard, we would like to remind current and potential donors that their contributions are not sunk costs, but investments whose payoffs can be manifested in the form of a reduction of migration with negative development impact, a world free of poverty, fragility and vulnerability, a livable planet and equality of opportunities between men and women.