Please provide comments by November 26, 2021

For more information, please visit: https://ida.worldbank.org/en/replenishments/ida20-replenishment

IDA20

Report from the Executive Directors of the International Development Association to the Board of Governors

Additions to IDA Resources: Twentieth Replenishment

Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future

The Conclusions and Recommendations in this Report are tentative until final agreement has been reached

[Approved by the Executive Directors of IDA]

On [Month, Day, Year]

ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30
All dollar amounts are US dollars unless otherwise indicated

AfDB	African Development Bank
AfDF	African Development Fund
AsDB	Asian Development Bank
AsDF	Asian Development Fund
AVAT	African Vaccine Acquisition Trust
BSO	Balance Sheet Optimization
Cat DDO	Catastrophe Deferred Drawdown Option
CCAP2	WBG Climate Change Action Plan 2021-2025
CCDRs	Climate Change Development Reports
CEIP-1	Coastal Embarkment Improvement Project
CERCs	Contingency Emergency Response Components
COVAX	COVID-19 Vaccines Global Access
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CPGA	Crisis Preparedness Gap Analysis
CPIA	Country Policy and Institutional Assessment
CPL	Concessional Partner Loans
CRW	Crisis Response Window
CSO	Civil Society Organization
CPSD	Country Private Sector Diagnostics
DPF	Development Policy Financing
DRM	Domestic Resource Mobilization
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DSSI	Debt Service Suspension Initiative
EFNs	External Financing Needs
ERF	Early Response Financing
ESF	Environmental and Social Framework
FCS	Fragile and Conflict-affected Situation
FCV	Fragility, Conflict, and Violence
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GNI	Gross National Income
GPSA	Global Partnership for Social Accountability
GRID	Green, Resilient and Inclusive Development
GW	Gigawatts
HCI	Human Capital Index
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDS	International Debt Statistics
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFF	Illicit Financial Flows
ILO	International Labour Organization
IMF	International Monetary Fund
IoC	Instrument of Commitment

JET	Jobs and Economic Transformation
LICs	Low-income Countries
LTS	Long-Terms Strategies
MDB	Multilateral Development Bank
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MPA	Multiphase Programmatic Approach
MSMEs	Micro, Small, and Medium Enterprises
MTR	Mid-Term Review
NBSAPs	National Biodiversity Strategies and Action Plans
NDCs	Nationally Determined Contributions
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OFF	Official Financial Flows
OOF	Other Official Flows
PBA	Performance-Based Allocation
PCO	Program of Creditor Outreach
PPA	Performance and Policy Actions
PSW	Private Sector Window
RMR	Risk Mitigation Regime
RMS	Result Measurement System
RRAs	Risk and Resilience Assessments
RW	Regional Window
SCD	Systematic Country Diagnostics
SDFP	Sustainable Development Finance Policy
SDG	Sustainable Development Goals
SDR	Special Drawing Rights
SIDS	Small Island Developing States
SIEs	Small Island Economies
SMEs	Small and medium-sized Enterprises
SML	Shorter-Maturity Loans
SSA	Sub-Saharan Africa
SUW	Scale-Up Window
TAA	Turn-Around Allocation
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WHO	World Health Organization
WHR	Window for Host Communities and Refugees

TABLE OF CONTENTS

LIST OF ANNEXES

TABLE OF FIGURES, BOXES, AND TABLES

Figures

Boxes

Tables

EXECUTIVE SUMMARY

i. **The international community is coming together in solidarity with the poorest countries to help them respond to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic, recoup development losses, and build back better from the crisis.** The COVID-19 crisis has had a devastating impact on development, compounded existing risks, and continues to present new challenges for the world's poorest countries. The twentieth replenishment of the International Development Association (IDA20) reaffirms the international community's commitment to support IDA countries address the challenges arising from the crisis and get them back on track toward the Sustainable Development Goals (SDGs) and the World Bank Group (WBG) Twin Goals to end extreme poverty and promote shared prosperity in a sustainable manner. To mitigate the pressures faced by IDA countries, IDA Deputies and Borrower Representatives ("Participants") agreed in February 2021 to significantly increase financial support to IDA countries in FY22 and FY23 by frontloading resources from the nineteenth replenishment of IDA (IDA19) from FY23 to FY22 and truncating the IDA19 implementation period from three to two years. The decision meant that the IDA20 replenishment was advanced by one year to cover the period from July 1, 2022 to June 30, 2025. This shortening of the IDA19 cycle by one year further allowed a carry-over of $[amount] billion to IDA20. This report summarizes the guidance provided by Participants on the policy, financing and results framework that underpins IDA20.

ii. **The combined impacts of COVID-19, rising conflict and climate risks are exacerbating extreme poverty, undermining growth, and jeopardizing the prospects of a resilient and inclusive future in IDA countries.** Global poverty is increasing for the first time in a generation, triggered by the COVID-19 pandemic, with likely long-term impacts. Recovery from the COVID-19 crisis has so far been uneven: advanced economies are rebounding but many of the poorest countries are being left behind. Growth in low-income countries in 2021 is forecast to be the slowest in the past 20 years other than 2020, partly reflecting the uneven pace of vaccination. The deep and protracted COVID-19 crisis is causing significant reversals of hard-won development gains and human capital accumulation, with lasting effects. The pandemic is also inflicting disproportionate impacts on women, school-age children, informal and unskilled workers, and vulnerable groups such as forcibly displaced populations and people with disabilities, which is widening inequality. Meanwhile, food insecurity, as well as risks posed by climate change and Fragility, Conflict, and Violence (FCV) are all rising.

iii. **IDA countries will require significant financial assistance to support their efforts to respond, recover, rebuild, and achieve their long-term development goals.** The COVID-19 crisis is driving up public borrowing in IDA countries, weakening their capacity to service and repay rising public debt and exposing public debt vulnerabilities. Overall financing needs in IDA countries have increased drastically as a result of the crisis and are expected to remain elevated over the near term. Increasing debt vulnerabilities coupled with high development expenditure needs increase the need for concessional financing to support COVID-19 response and recovery efforts at a time when concessional resources are constrained. The challenge is compounded by growing fragmentation of aid flows and a proliferation of donor entities, increasing transaction costs for the recipient countries. This reinforces the importance of enhanced donor coordination and effective collaboration to harness complementarities and comparative advantages in the context of governments' own national development strategies toward achieving the SDGs.

iv. **IDA is uniquely positioned to support the poorest countries in responding to the COVID-19 crisis and deliver lasting development results as they build back better.** Guided by ambitious policy commitments made in successive replenishment cycles, IDA continues to adapt to changing global needs with a sharp focus on country contexts and on translating new ideas and agendas into better and lasting results. With its strong global footprint and longstanding engagement in the poorest countries, IDA brings significant comparative advantages in supporting IDA countries to respond to the crisis and get back on track to achieving their long-term development goals. IDA's country-driven model and Performance-Based Allocation (PBA) system ensure that financial support is tailored to each borrowing country's needs, performance, and development plans, and is structured to help governments sustainably manage their finances in close collaboration with other development actors. This is underpinned by strong incentives to reduce debt vulnerabilities, by linking country allocations to sustainable development financing, and further reinforced by special concessional financing windows that prioritize areas that are critical to the IDA20 agenda.

v. **IDA's hybrid financial model offers unique value for money among Multilateral Development Banks by mobilizing more than three dollars in IDA commitment authority for every one dollar in Partner contributions.** IDA's innovative hybrid financial model allows for Partner contributions to be complemented by capital market borrowings at low-interest rates, supported by IDA's triple-A rating. This, in turn, has allowed IDA to significantly expand its financial capacity and better support client needs. This means that more than 70 percent of the IDA19 replenishment was funded from resources other than Partner contributions, up from 65 percent in IDA18 and between 40 and 50 percent in the six previous replenishments before the introduction of the hybrid model in IDA18.

vi. **The IDA20 overarching theme "*Building Back Better from the Crisis – Toward a Green, Resilient and Inclusive Future*" captures the need to support client countries in overcoming their most pressing challenges, and to continue on a greener, more resilient, more inclusive development path.** Under the IDA20 overarching theme and in alignment with the WBG approach for Green, Resilient and Inclusive Development (GRID),[i] IDA is increasing its ambitions with a sharp focus on: *targeting support*, through increased efforts on reaching the poorest and most vulnerable, including in FCS; *building resilience*, by providing cushioning against future shocks, including through strengthened crisis preparedness; *accelerating green, climate friendly development*, by stepping up ambition on climate change, nature-based solutions and biodiversity; and *investing in people*, by addressing inequalities and boosting investments in Human Capital.

vii. **IDA20 builds on the strong foundation and results delivered in IDA19 and previous replenishments and introduces several enhancements to make IDA20 even more ambitious and fit for today's challenges.** IDA's unprecedented response to the COVID-19 crisis has once again demonstrated the relevance, flexibility, and strength of the IDA policy and financing framework. This undertaking has ensured that IDA has largely stayed on track to deliver on long-

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[i] See also World Bank Group. 2021. *From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID).* Washington, DC: World Bank Group.

term priorities while addressing countries' emergency needs. This has included playing a lead role in rolling out vaccines and strengthening health systems in low-income countries. The existing IDA framework provides a strong foundation to enhance support to IDA countries, but the unique context of IDA20 calls for sharpened focus in certain areas. It calls for innovations to the policy framework by introducing *Human Capital* as a Special Theme in IDA20 and *Crisis Preparedness* as a new Cross-Cutting Issue. This also involves increasing ambition under the Special Themes of *Climate Change*, *Gender and Development*, *FCV* and *Jobs and Economic Transformation*, as well as the Cross-Cutting Issues of *Debt* and *Technology*. Similarly, a broadened focus on strengthening *Governance and Institutions* across all Special Themes and strong emphasis on inclusion will allow IDA to deepen and scale up existing efforts, while adjusting and innovating for COVID-19 recovery needs to ensure inclusive and sustainable longer-term growth and development. Guided by highly ambitious policy commitments, the Special Themes and Cross-Cutting Issues provide a solid policy framework for prioritizing select issues during IDA20, pushing the frontiers, and measuring results.

viii. **IDA20 will significantly enhance the incentive framework for countries to strengthen their approach to crisis preparedness for deeper resilience.** IDA countries are experiencing the effects of multiple crises that occur more frequently and with compounded effects, some of which could spill across borders. The potential for diseases to spread is increasing, as is the risk of outbreaks escalating into epidemics or pandemics. Similarly, the frequency and severity of natural hazards is likely to increase in the future, affecting hundreds of millions of people each year. In some countries, natural hazards, locust swarms and disease outbreaks have amplified vulnerabilities and are driving food and nutrition insecurity to unprecedented levels. Underpinned by several policy commitments, IDA will help countries address this complex and compounded challenge through an integrated multi-faceted approach that systematically utilizes analytics, financial instruments, and tracking and reporting systems as crisis preparedness tools.

ix. **Building on IDA19, IDA will continue to lead the rollout of COVID-19 vaccinations in IDA countries in partnership with key actors, and IDA20 will introduce additional incentives to boost vaccinations and to strengthen pandemic preparedness.** The World Bank will continue to work hand-in-hand with key actors, including COVID-19 Vaccines Global Access Facility (COVAX), African Vaccine Acquisition Trust (AVAT), the United Nations Children's Fund, the World Health Organization, Gavi, The Vaccine Alliance, and the Global Fund, to support vaccination rollout in low and middle-income countries. Underpinned by ambitious policy commitments, IDA's support is anchored in a broader effort to strengthen health systems and pandemic preparedness and bolster production of vaccines in IDA countries. Given that vaccination is a country-driven decision, IDA financing for countries' vaccine response will continue to be embedded into country allocations. Additionally, IDA20 will provide more incentives for countries to implement vaccination programs. This will include supplementing country allocation resources used for vaccine financing with access to the enhanced Regional Window and the use of Shorter-Maturity Loans in the Scale-Up Window, thereby providing top-up for vaccine financing as well as risk capital to support regional and global procurement mechanisms like AVAT and COVAX.

x. **IDA's firm commitment to drive positive change for the 1.3 billion people living in IDA countries is reflected in the revamped and more outcome-oriented Results Measurement System (RMS) as well as through institutional measures.** IDA has always been a pioneer in results monitoring, and the IDA20 RMS indicators capture more outcomes, offer more disaggregation, and include new indicators on topics of special importance. The RMS maintains its three-tier structure and, introduces new features that advance IDA's outcome orientation, including: (a) vertical linkage of indicators across tiers to better connect IDA's contributions to country-level outcomes, (b) indicators that fully reflect IDA20's strategic priorities across the five IDA20 Special Themes and the four Cross-Cutting Issues, (c) monitoring of long-term progress made in IDA countries by retaining indicators from previous IDA cycles, and (d) increased alignment with the SDGs. Furthermore, the World Bank has recently developed a roadmap to enhance the outcome orientation of the institution, including through new guidance on country engagement and country-level results frameworks, which will help to shape and monitor how IDA supports critical development outcomes through multisectoral investments and policy dialogue at the country level.

xi. **Enabled by IDA's hybrid financial model, IDA20 provides the most ambitious package for IDA thus far, made possible by continued strong donor support and additional IDA balance sheet optimization measures.** Together with support by other actors, the IDA20 financing package will ensure that IDA countries have the resources they need to respond to the COVID-19 pandemic and build back better and greener from the crisis. Several balance sheet optimization measures are introduced in the IDA20 financing framework to stretch the reach of donor contributions for the benefit of IDA countries. Along with continued and prudent lengthening of the maturity of IDA's market borrowings, these measures enhance the efficiency of IDA's capital utilization.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

xii. **Participants agreed on a set of policy and financial recommendations to help IDA countries achieve the WBG Twin Goals.** They noted that the policy and financing package will help countries recoup their development losses due to the impact of COVID-19 and recover lost ground toward the 2030 agenda and a green, resilient, and inclusive future. The IDA20 results indicators are summarized in Annex 1, and the full set of IDA20 policy commitments is presented in Annex 2. The key conclusions and recommendations are summarized below.

xiii. **Human Capital**. Commitments aim to help IDA countries address the immediate challenges posed by the COVID-19 pandemic while simultaneously scaling up investments in health, education and social protection systems, to underpin a green, resilient, and inclusive recovery.

a. To strengthen health security and advance inclusive health systems and universal health coverage, Participants requested that IDA support all IDA countries to (i) contain the COVID-19 pandemic, through vaccine rollout, testing, treatment and care, and/or (ii) strengthen pandemic preparedness, including through prevention, detection and response efforts.

b. To promote child development, Participants requested that IDA restore and expand access to quality early years services, including maternal and nutrition services, in at least 30 IDA countries, of which 15 countries are among those IDA countries with the lowest Human Capital Index (HCI).[ii]

c. To address gaps exacerbated by the COVID-19 crisis, Participants requested that IDA support at least 40 IDA countries, of which 10 are Fragile and Conflict-affected Situations (FCS), with access to core, quality, inclusive social services focused on: (i) social protection for urban informal workers, and/or (ii) students' return to school and accelerated recovery of learning losses, with a special focus on addressing constraints faced by girls, and/or (iii) children's immunizations.

d. To ensure inclusive and effective response against shocks and crises, Participants requested that IDA support at least 20 IDA countries' resilience by building adaptive social protection systems, including the use of digital technologies.

e. To fill critical learning gaps and ensure improvements in learning outcomes, Participants requested that IDA support at least 20 IDA countries, of which 10 are among those IDA countries with the lowest HCI, to reduce learning poverty by (i) measuring learning, with sex-disaggregation and (ii) implementing core elements of the literacy package (e.g., effective literacy instruction, structured lesson plans, adequate reading materials for all children.

[ii] The lowest HCI countries refer to the 30 IDA countries with the lowest Human Capital Index (HCI).

f. To promote inclusive societies, Participants requested that IDA support at least 18 IDA countries to meet the needs of persons with disabilities by implementing the principles of non-discrimination, inclusion, and universal access as per the Environmental and Social Framework, through projects in education, health, social protection, water, urban, digital development and/or transport.

g. To strengthen health security by improving pandemic preparedness and prevention at the nexus of human, animal, and ecosystems health, including zoonotic diseases and anti-microbial resistance, Participants requested that IDA support at least 20 IDA countries to mainstream One Health approaches.

h. To strengthen public finance for human capital investments, Participants requested that IDA support operations in at least 20 IDA countries, of which eight are among those IDA countries with the lowest HCI through policy or administrative reforms impacting (i) the availability of resources, and/or (ii) the efficiency of expenditure management and/or (iii) the results-orientation of human capital investments.

xiv. **Climate Change**. Commitments aim to help IDA countries address short- and long-term adaptation needs, decarbonization objectives, and protection of biodiversity, natural capital and ecosystems services, while enabling a green recovery.

a. Participants requested that IDA's Climate Co-Benefits share of total commitments increase to 35 percent, on average, over FY23-25, with at least 50 percent for adaptation. For IDA Private Sector Window (PSW) operations, Climate Co-Benefits will increase to 35 percent of International Finance Corporation (IFC) and/or Multilateral Investment Guarantee Agency (MIGA) Own-Account commitments under such operations, on average.

b. Participants requested that starting in FY24, all new World Bank IDA20 operations align with the Paris Agreement and that by the end of IDA20, all new IDA PSW real sector operations be Paris aligned. Support will be provided to at least 30 countries to develop Country Climate and Development Reports and at least 50 countries to develop, update and/or implement Nationally Determined Contributions or Long-Term Strategies.

c. Participants requested that IDA support at least 50 IDA countries (including at least 20 FCS) to develop inclusive climate policies and increase investment in climate adaptation and mitigation in at least one key transition system (i.e., agriculture, food, water and land; cities; transportation; and/or manufacturing), including community-led climate investments in at least 15 countries.

d. Participants requested IDA to facilitate development of low-carbon energy sector development strategies and policies in at least 20 IDA countries (including at least eight FCS) and development of battery storage in at least 15 IDA countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least one GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.

e. Participants requested that IDA support at least 20 IDA countries (including at least five FCS) to revise their financial regulatory frameworks to manage climate and environmental risks and to mobilize private capital for a low-carbon and resilient economy.

f. Participants requested that IDA implement nature-based solutions, including landscape, seascape, and watershed restoration and management or forest restoration and sustainable forest management, in at least 20 countries, to support biodiversity and ecosystem services.

g. Participants requested that IDA support at least 25 IDA countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including by addressing marine plastic pollution.

h. Participants requested that IDA support at least 25 IDA countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening related institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.

xv. **Fragility, Conflict and Violence**. Commitments aim to deepen the implementation of the WBG FCV Strategy, including through tailored country engagement, as well as IDA FCS sub-targets embedded across other Special Themes.

a. Participants requested that IDA reinforce implementation of the WBG FCV Strategy by ensuring that all country engagement products in IDA FCS demonstrate how the WBG program, in collaboration with relevant partners, help address FCV drivers and sources of resilience, based on FCV diagnostics and FCV sensitive portfolio analysis undertaken in Risk and Resilience Assessments or other FCV assessments. [iii] An FCV lens will continue to be integrated into relevant joint World Bank-IFC Country Private Sector Diagnostics in IDA FCS.

b. Participants requested that IDA work with government counterparts and other partners to ensure that, by the end of IDA20, at least 60 percent of the countries eligible for the Window for Host Communities and Refugees (WHR) will have implemented significant policy reforms related to the WHR purposes, as identified through the Refugee Policy Review Framework.

c. Participants requested that IDA support 40 percent of IDA countries in FCS (with active portfolios) to establish and/or strengthen core government functions that facilitate effective, inclusive and responsive public services, enhance transparency and accountability, and promote resilience and trust, including by partnering with key national and international stakeholders.

d. Participants requested that IDA implement regional initiatives in the Sahel, Lake Chad, the Horn of Africa, and Central Asia to help address transboundary drivers of FCV, support

[iii] Country engagement products include Country Partnership Frameworks, Country Engagement Notes and Performance and Learning Reviews.

transboundary resilience, and/or strengthen regional crisis risk preparedness and mitigation together with key relevant partners. IFC will commit to leverage its local presence to scale up upstream and advisory service activities in these areas, leading to enhanced private sector opportunities.

xvi. **Gender and Development**. Commitments aim to deepen the implementation of the WBG Gender Strategy across its four pillars, increase ambition in areas where gender gaps have been exacerbated by the COVID-19 crisis and ensure that gender equality is a critical element of IDA's support to a green, resilient, and more inclusive recovery.

a. Participants requested that IDA support women's empowerment, through restoring and expanding access to quality and affordable sexual and reproductive, adolescent, and maternal health services, in at least 30 IDA countries, of which 15 countries with the lowest HCI.

b. Participants requested that IDA incorporate specific productive economic inclusion components (e.g., producer cooperatives/associations, digital finance/savings and service delivery, entrepreneurship support, social care services, regulatory frameworks, and/or links to market support) for women in at least 35 IDA social protection/jobs, agriculture, urban, and/or community development projects.

c. Participants requested that IDA support at least 15 IDA countries to expand access to quality affordable childcare, especially for low-income parents.

d. Participants requested that at least 35 percent of IDA20 infrastructure operations (transport, energy, and water) include actions to create employment opportunities for women in medium and high skilled jobs in these sectors.

e. Participants requested that at least 30 IDA20 operations in digital development, financial inclusion, and agriculture increase women's access to and usage of digital technology to close gender gaps in access and usage.

f. Participants requested at least 70 percent of IDA20 operations with land activities in (i) land administration, (ii) post-disaster reconstruction and resilient recovery, and (iii) urban development include specific actions to strengthen women's land rights.

g. Participants requested that IDA support at least 10 IDA countries to strengthen national policy frameworks for prevention and response to gender-based violence (GBV), and in at least 15 IDA countries, of which five are FCS, support GBV related services in health systems, and implement GBV prevention and response protocols as part of safe and inclusive educational institutions.

h. Participants requested that IDA support at least 10 IDA countries to make their fiscal policy and budget systems more inclusive and gender responsive by, for example, budget reforms, removing discriminatory provisions from tax legislation and/or monitoring the

effectiveness of public spending, including where appropriate through fiscal incidence analysis for equality policies.

xvii. **Jobs and Economic Transformation (JET)**. Commitments aim to help IDA countries to address both the immediate needs of minimizing job losses and mitigate risks, while also helping them to seize longer-term opportunities in a world transformed by COVID-19.

a. Participants requested that IDA strengthen the resilience, inclusion, and depth of the financial system in 15 IDA countries, including five FCS, based on the Financial Sector Assessment Program or similar financial sector analytics to support a robust and inclusive recovery.

b. In the context of IDA PSW operations involving IFC, Participants requested that IFC aim to increase the share of its commitments in FCS-IDA17 & LIC-IDA17[iv] countries, reaching 12-17 percent of Own-Account commitments on average during the IDA20 cycle, with an intent to reach an Own-Account annual commitment of 14-17 percent in the last fiscal year of IDA20. Consistent with this aim, targeted platforms and programmatic approaches for IDA PSW-eligible countries will be supported to develop and encourage scalable initiatives across sectors in these countries, including those targeted to support small and medium-sized enterprises, for trade finance purposes, in investment focused on mitigation and adaptation.

c. Participants requested that IDA support at least 20 IDA countries, of which 10 have a score of 3.0 or less on Country Policy and Institutional Assessment Dimension 16 covering transparency, accountability and corruption, to identify the governance constraints to the development, financing, and delivery of quality infrastructure investments, with particular attention to resilience, climate and environment, and regulatory practices, transparency and integrity, to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these. These will be undertaken through Infrastructure Sector Assessments Programs and standalone governance assessments that support improved delivery of quality infrastructure services.

d. Participants requested that IDA support interventions to address market failures and remove constraints in sectors with high potential for the private sector to drive sustainable and inclusive economic transformation and create better jobs, or where women and youth disproportionately work, in 20 IDA countries, of which five are FCS, including through upstream activities informed by data and private sector development diagnostics such as the joint IFC-WB Country Private Sector Diagnostics, and selected in agreement with country authorities.

e. Participants requested that IDA improve agricultural productivity, including through the promotion of climate-smart agriculture, and strengthen sustainable agri-business value chains with high potential for growth and better jobs addressing modernization and food and nutrition security in 15 IDA countries, including five FCS, in ways that are inclusive,

[iv] See footnote 130.

expanding training for agricultural workers to access these better jobs, and encouraging private sector opportunities.

f. To close the connectivity gap, Participants requested that IDA support 17 IDA countries, including those which will benefit from IFC's support under the IDA PSW, to develop digital infrastructure, to increase inclusive, secure and affordable access to and usage of broadband connectivity, among which are six landlocked countries, four Small States and nine FCS.

g. Participants requested that IDA support programs in 15 IDA countries, to strengthen private sector recovery and transformation that are well targeted, inclusive of small and medium-sized enterprises (SMEs) and support the adoption of digital technologies, with monitoring to capture distributional impacts and effectiveness. To support this, IFC will increase its support to digital infrastructure, with consideration of cyber security and related issues, and its venture capital work in IDA and FCS countries.

h. Participants requested that IDA support 34 IDA countries including those with ongoing statistical operations (i) to strengthen institutions and build capacity to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate; and (ii) to increase resilience of statistical systems, including through investments in digital technology and high-frequency monitoring capabilities.

xviii. **Crisis Preparedness.** Commitment aims to help countries build resilience in a world where crises occur more frequently and with compounded effects and complements the integrated approach to crisis preparedness c IDA20 Special Themes.

a. Participants requested that WBG country programs in all IDA countries provide technical and financial support to strengthen crisis preparedness. Such support will be informed by appropriate crisis preparedness assessments such as the Crisis Preparedness Gap Analysis, and/or other relevant diagnostic tools.

xix. **Governance and Institutions.** Commitments aim to deepen support for capable, inclusive and accountable public administration.

a. Participants requested that IDA support 50 IDA countries in publishing comprehensive public and publicly guaranteed debt reports or fiscal risk statements.

b. Participants requested that IDA support at least 15 IDA countries to bolster their domestic resource mobilization capacity through equitable (fair and progressive) revenue policies (as verified using fiscal incidence analysis or other methods) toward achieving a tax-to-GDP ratio of at least 15 percent in the medium term.[v]

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[v] Revenue policies include tax administrative policies, including those that seek to improve and introduce new tax compliance measures. The concept of equitable DRM has two dimensions: (1) fairness (taxpayer with similar income or property should be treated similarly); and (2) progressivity (contribution according to taxpayers' ability to pay).

c. Participants requested that IDA support at least 15 IDA countries to adopt universally accessible GovTech policies, regulations or solutions to enable secure digital government services.

d. Participants requested that IDA support at least five countries to conduct comprehensive Illicit Financial Flows (IFF) assessment and prepare action plans. Also support at least 20 IDA countries to take policy actions that tackle corruption, money laundering, and/or tax evasion to reduce IFF, such as strengthening public accountability mechanisms, increasing access to and awareness of beneficial ownership information, and/or adopting automatic exchange of information to reduce tax evasion.

xx. **Adjustments to Volumes and Terms of IDA Assistance**.

a. Participants agreed to the following changes that will affect IDA20 volumes and terms:

(i) Introduction of new terms. The first of these are 50-year credits for country allocations of IDA-only yellow light countries (with exemption for Small States),[vi] which will be offered with a 10-year grace period and zero interest or service charge. The other is the introduction of concessional shorter-maturity loans (SMLs) for IDA-only countries at low or moderate risk of debt distress, as well as Gap and Blend countries (except Small States that are at high risk or in debt distress). SMLs are introduced in two parts of the IDA financial architecture: (i) as a small portion of country allocations and (ii) in the Scale-Up Window (SUW) – which will be offered with 12-year maturity, 6-year grace period, and zero interest or service charges. Before yellow light IDA-only countries are provided with access to SMLs in both the PBA and SUW, impact on their debt sustainability will be checked through Debt Sustainability Analyses. Management would provide a review of the use of SMLs at the IDA20 Mid-Term Review (MTR).

(ii) Continue the implementation of the Sustainable Development Finance Policy (SDFP), linking IDA country allocations to the satisfactory implementation of concrete Performance and Policy Actions (PPAs) aimed at enhancing debt transparency, fiscal sustainability, and debt management. Countries that do not satisfactorily meet their PPAs will be subject to a set-aside of their country allocation in the following year, with one additional year to recover the set-aside by implementing the agreed PPAs, or irrevocably lose it. SDFP set-asides would be taken first from SML allocations.

b. Participants agreed to: (i) scale up the FCV Envelope in IDA20; (ii) retain its key features including in-cycle identification, eligibility-based processing and annual reviews, PBA-aligned financing, and full integration in country portfolios; and (iii) retain the same three allocations: The Prevention and Resilience Allocation, the Remaining Engaged during Conflict Allocation, and the Turn-Around Allocation.

[vi] Country debt risk ratings emerge from country-specific forward-looking debt sustainability analyses based on the joint IMF-World Bank Debt Sustainability Framework (DSF) for low-income countries. These risk ratings follow a "traffic lights" system: high risk or in debt distress ("red light"), medium risk ("yellow light"), and low risk ("green light").

c. Participants agreed to: (i) increase the Regional Window (RW) to $[amount] billion; (ii) provide flexibility to access RW financing by allowing two-country operations in all regions, as long as they demonstrate significant externalities;[vii] and (iii) leverage the existing mechanisms of the RW to provide additional resources to IDA countries for COVID-19 vaccine purchases and delivery of vaccination programs.

d. Participants agreed to: (i) maintain the WHR and its existing policies in IDA20, with an allocation of $ [amount] billion; and (ii) for yellow light countries to benefit from softer terms [with 50-year credits] under the WHR.

e. Participants agreed to: (i) increase the size of the Crisis Response Window (CRW), with an overall allocation of $ [amount] billion; (ii) within the CRW, retain and increase Early Response Financing (ERF) with an allocation of $1 billion; and (iii) increase the ERF cap on pre-allocated Contingency Emergency Response Components to $25 million per country.

f. Participants agreed to: (i) maintain the regular Scale-up Window (SUW), with an allocation of $[amount] billion; and (ii) provide additional concessional resources under SUW as SMLs with an allocation of $[amount] billion, to scale up investments in building back better and greener in eligible countries - i.e., IDA-only countries at low or moderate risk of debt distress, as well as Gap and Blend countries (except Small States that are at high risk or in debt distress). SUW-SML will be offered on terms outlined in (paragraph a. (i) above).

g. Participants agreed to: (i) increase the size of the PSW, allocating $[amount] billion in resources, with utilization to be reviewed at the IDA20 MTR; (ii) IFC and MIGA disclosing to the public systematic impact and mobilization data for projects benefiting from PSW support to complement existing project information; and (iii) subject to the approval of individual investment transactions by the IDA Board of Executive Directors, up to $100 million out of the PSW Blended Finance Facility will be used to support Micro-, Small and Medium-sized Enterprise incubators and accelerators. Through a "fund of funds" approach, the PSW will co-invest with IFC and provide de-risking support to third parties when needed to catalyze investors, make investment funds viable, and ensure adequate return for incubators/early-stage fund managers. As part of this initiative, PSW will establish a very high-risk tolerance seed capital fund of up to $15 million. This will be fully funded by the PSW and eligible to invest, without IFC's co-investment, up to $1 million each in emerging fund managers, helping them to establish a track record to assist in mobilizing private investment capital in the future.

h. Participants agreed to build flexibility in adjusting the size of each window within a range of 10 percent in IDA20, in accordance with demand during the period with close monitoring by Management and reporting to Participants.

[vii] Up to now, three countries are required to participate, reduced to two if one is FCS. The policy also allows the Regional Window to finance operations located in a single country when it is clearly expected to generate transformational impacts at the regional level or contribute to global public goods, subject to early Board consultation. This feature has been used judiciously and would remain in IDA20.

i. Participants agreed to set aside $[amount] million, to support the possible reengagement of currently inactive IDA countries during the IDA20 period. Per past practice, unused funds would be carried over to IDA's twenty-first replenishment (IDA21), and if the resources set aside are lower than needed, the shortfall will be included in the financing request for IDA21.

j. Participants agreed to introduce fully hedged local currency financing in IDA20 with a pilot to be completed by IDA20 MTR. IDA will provide local currency financing to its borrowing members by introducing the currency conversion option in its concessional financing and hedging its exposure through issuing local currency bonds or entering cross currency swaps with market counterparties, subject to market availability. Local currency financing through currency conversion is already authorized for IDA's non-concessional financing.

xxi. **Replenishment of IDA Resources**.

a. Participants recommended that contributions of $[amount] (equivalent to SDR[amount]) be provided so as to achieve a total replenishment of $[amount] (equivalent to SDR[amount]) in IDA20, including the $[amount] billion (equivalent to SDR[amount]) carry-over from IDA19 resulting from the shortening of IDA19.

b. Participants recognized that strong grant contributions continue to remain a critical element in IDA's financial framework, enabling IDA to provide concessionality even as it leverages in a sustainable manner.

c. Participants noted the importance of providing their Instruments of Commitment as early as possible to enable timely implementation of IDA20.

d. Participants recommended that IDA's cost of debt relief under the Heavily Indebted Poor Country Initiative and arrears clearance operations in IDA20 be covered under the IDA20 Replenishment, funded by Partner contributions.

e. Participants recognized the importance for Partners to continue implementing their financing commitments to the separate Multilateral Debt Relief Initiative replenishment in order to support the total volume of IDA20 commitment authority.

f. Participants endorsed the continuation of Concessional Partner Loans (CPLs) in IDA20. They endorsed the IDA20 CPL framework which maintains the IDA19 CPL framework with the following adjustments: (i) adding as a new CPL term 50-year maturity, 10-year grace; and (ii) using an averaging period to determine CPL discount rates to reduce the impact of market volatility.

g. Related to the structural gap, Participants agreed that a Dual Reporting Approach – reporting both gross and net donor burden shares – represents a pragmatic and balanced path forward and adequately addresses concerns with the current approach with respect to reported burden share and the impact of an increasing structural gap earlier raised.

h. Participants emphasized the importance of transfers from the International Bank for Reconstruction and Development (IBRD) to IDA to signify solidarity among the WBG institutions, continuing with the formula-based approach for IBRD transfers and which transfers would be subject to annual approvals by the IBRD Board of Governors after considering IBRD reserve retention needs.

INTRODUCTION

1. **The Coronavirus Disease 2019 (COVID-19) crisis has transformed the world, caused significant development losses, compounded existing risks, and continues to present new challenges for the world's poorest countries.** The impacts of COVID-19, along with rising conflict and climate risks, have caused major setbacks to progress in global wellbeing, and countries eligible for financing from the International Development Association (IDA) have quickly moved backwards on their path to achieving the Sustainable Development Goals (SDGs) and the Twin Goals of the World Bank Group (WBG). With sharp economic declines and rising poverty, IDA countries face high financing needs and an uncertain and prolonged recovery.

2. **IDA has delivered a swift, targeted, and agile response of unprecedented scale to the global COVID-19 response efforts, yet more is needed to address the disruptions and development challenges exacerbated by the protracted crisis.** Since the onset of the crisis, the WBG has been the leading multilateral development bank (MDB) in delivering crisis support to IDA countries to help save lives and livelihoods, lay a foundation for durable recovery, while keeping an eye on high-level outcomes. At the same time, IDA countries' need for support for both their COVID-19 response and their long-term development agenda will remain high for years to come.

3. **The international community is stepping up support to IDA countries to help them respond to the ongoing COVID-19 crisis, recoup development losses, build back better, and get back on track toward meeting their long-term development priorities.** IDA Deputies and Borrower Representatives ('Participants') agreed in February 2021 to shorten IDA19 to a two-year cycle and frontload IDA19 resources from FY23 to FY22 to mitigate the pressures on IDA countries and facilitate the extraordinary level of support required to help them address the health, social and economic challenges raised by the COVID-19 pandemic. This also meant an unprecedented advancement of the Twentieth IDA Replenishment (IDA20) by one year, which was agreed after months of focused discussion to find the best option for scaling up support and making additional resources available to countries at this time of crisis. In addition, on July 15, 2021, 23 African Heads of States issued the Abidjan Declaration,[1] calling on IDA Partners to support an ambitious IDA20 replenishment focusing on the key priorities of human capital improvement, job creation through private sector development policies, economic recovery, while continuing efforts to mobilize tax revenue, increase transparency, and strengthen governance.

4. **This report summarizes the guidance provided by Participants on the policy, financing and results framework that underpins IDA's support to client countries during the IDA20 replenishment period (July 1, 2022 to June 30, 2025).**[2] The report is structured in seven parts: *Section I* discusses the progress on the Twin Goals and the SDGs and summarizes the financing landscape; *Section II* presents IDA's value addition, including key features of the

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[1] *https://www.worldbank.org/en/news/statement/2021/07/15/abidjan-s-declaration-african-heads-of-state-calls-for-an-ambitious-replenishment-of-the-resources-of-the-international.*

[2] Participants provided guidance on the IDA20 policy and financing package during virtual replenishment meetings on April 14-15, 2021, on June 28-30, 2021, and on October 20-22, 2021. The framework further benefitted from technical sessions with Participants and meetings with representatives from civil society. Participants also shared several non-papers proposing key priorities and recommendations for IDA20.

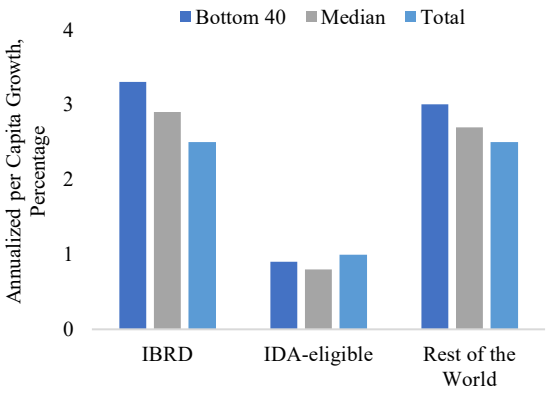
operating and financing model as well as the results framework; *Section III* presents the strategic directions for IDA20, the priority Cross-Cutting Issues, Special Themes and key commitments; *Section IV* summarizes the financing volumes and terms for IDA20; *Section V* presents how IDA20 resources will be managed; *Section VI* focuses on the financing of debt relief and arrears clearance; and *Section VII* recommends the adoption of the draft IDA20 Resolution attached in Annex 14.

SECTION I: POVERTY ALLEVIATION, DEVELOPMENT PROGRESS AND FINANCING LANDSCAPE

A. PROGRESS ON THE TWIN GOALS

5. **The remarkable progress made toward poverty reduction over the past quarter century had already slowed before the COVID-19 crisis, particularly in IDA countries characterized as Fragile and Conflict-affected Situations (FCS).** After almost 25 years of steady declines, the fall in global poverty rates started to slow in 2015. As described in the World Bank "Reversals of Fortune" publication, this was manifested in the increased concentration of global poverty in Sub-Saharan Africa (SSA), as well as conflict-related increases in poverty in the Middle East and North Africa region.[3] Around six out of 10 global poor live in SSA, where the poverty rate has been declining very slowly, and the absolute number of poor increased between 1990 and 2017.[4] In IDA FCS, the absolute number of poor people rose from 251 million in 2015 to 279 million in 2019;[5] and average poverty rates were at 39.1 percent, compared to 19.7 percent in non-FCS (per nowcast estimates). Among the 20 lowest ranked IDA countries on the Human Capital Index (HCI), 11 are IDA FCS. Within IDA FCS, poverty disproportionally impacts women and girls and the most vulnerable people and communities, including forcibly displaced populations.

Figure 1. 1. Simple Averages of Shared Prosperity, and Growth of Mean and Median Incomes, Circa 2013-2018



Source: *Global Database of Shared Prosperity (circa 2013–18), World Bank, Washington, DC, https://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity.*

[3] Global poverty declined by an average of about 1 percentage points per year between 1990 and 2015 but slowed to half a percentage point between 2015 and 2017. See World Bank. 2020. *Poverty and Shared Prosperity 2020: Reversals of Fortune.* Washington, DC: World Bank.

[4] Ibid.

[5] Global poverty estimates are available through 2017, the latest year with sufficient global population coverage of household survey data. Estimates for 2018-2020 are predictions, or nowcasts, based on information on national accounts growth rates after 2017 and additional assumptions about the relationship between these and growth in the survey welfare aggregates measured either as consumption or income. For additional information, see World Bank. 2020. *Poverty and Shared Prosperity 2020: Reversals of Fortune*, Washington, DC: The World Bank.

6. **Shared prosperity gains in IDA countries were disappointing prior to the pandemic, reflecting stubborn challenges to inclusive growth.** Among IDA countries for which shared prosperity can be measured, the average annualized growth of incomes of the bottom 40 percent was 0.9 percent during the 2013-2018 period (Figure 1.1), much lower than 3.3 percent in International Bank for Reconstruction and Development (IBRD) countries, and also lower than the 1.7 percent annualized growth registered in IDA countries during the 2011-2016 period.[6] Notably, the shared prosperity premium for IDA countries with available data, calculated as the difference between the growth rate of incomes of the bottom 40 percent and the growth rate of the mean, was negative for the 2013-2018 period, compared to only 31 percent for IBRD countries. This reflects the disproportionate challenges IDA countries face, including climate, conflict, an unfinished structural agenda, inequality, governance and institutional weaknesses, as well as stagnant agricultural productivity and slow job transitions out of agriculture, all of which hamper inclusive growth. The shortening of the Nineteenth IDA Replenishment (IDA19) and advancement of IDA20 is serving to channel needed additional and countercyclical resources to mitigate this longer-term slowdown.

7. **The pandemic has triggered an unprecedented health crisis that, in addition to having an enormous human toll, has led to the deepest global recession since World War II.** COVID-19 led to a massive collapse in growth as economies around the world imposed severe containment measures to control the spread of the virus. Global economic output contracted by 3.5 percent in 2020, with over two-thirds of IDA countries experiencing negative growth. Sharp output contractions have had a significant impact on per capita income. By reducing growth in average incomes, COVID-19 has already led to major declines in shared prosperity, which will persist until the virus is controlled and growth resumes.[7] The adverse effects of the pandemic have been exacerbated by the underlying vulnerabilities of these economies, including limited institutional capacity, weak health service delivery systems and prevalence of informality – particularly in jobs. In addition, their limited fiscal space and high debt servicing costs has resulted in lower levels of own resources to respond to the crisis, constraining the reach of countercyclical measures introduced. The extent and duration of the pandemic remains uncertain, with the health, social and economic impacts of additional waves of infections being a key concern.

8. **As a result of COVID-19, global poverty has increased for the first time in a generation, causing deep pain in IDA countries, both FCS and non-FCS alike.** The year 2020 marked the first reversal in poverty reduction in more than two decades, with an estimated 97 million people falling into poverty due to COVID-19 (Figure 1.2).[8] Thirty one percent of these reside in IDA eligible countries, with 56 percent in IDA FCS. This share is projected to increase to 42 percent in 2021, as the recovery in IDA countries lags that of other countries. The pandemic is projected to increase the international poverty rate in IDA countries by 1.7 percentage points in 2020, exceeding the 1.1 percentage points increase in IBRD countries. In SSA, the international poverty rate will increase by at least 0.8 percentage points relative to pre-pandemic projections.

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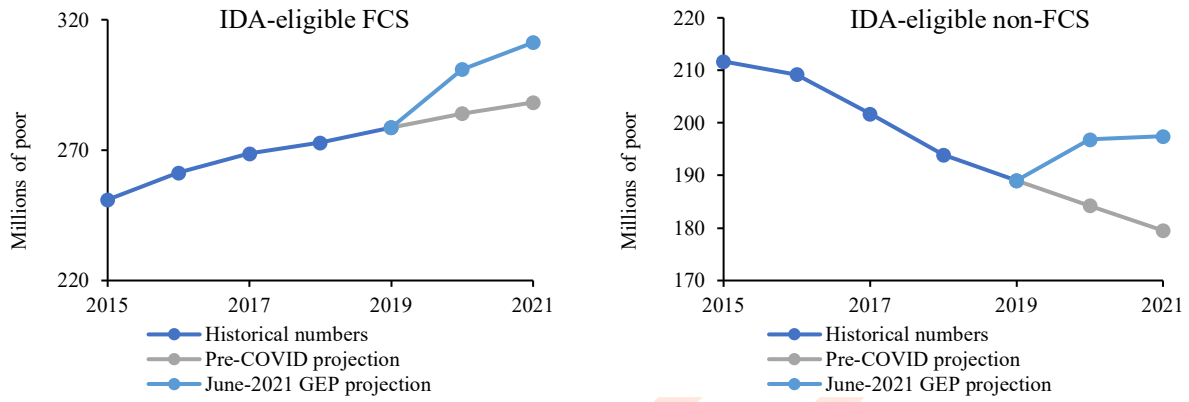
[6] Shared prosperity estimates for the 2013-2018 window are available for a total of 88 countries, including 15 IDA countries, 29 IBRD countries, and 34 "rest of the world" countries.

[7] World Bank estimates for IDA countries' Gross National Income (GNI) per capita (Atlas method) point to an average 3 percent reduction in income levels in 2020, with even sharper declines estimated for Small States.

[8] World Bank. 2021. *Global Economic Prospects, June 2021.* Washington, DC: World Bank.

Shared prosperity will also drop sharply in nearly all economies, with virtually no growth of incomes for the bottom 40 percent of the population estimated for 2019-2021.

Figure 1. 2. Evolution of the Number of Global Poor, Including Projected Impacts of the COVID-19 Pandemic



Notes: *2018 and 2019 estimates are based on nowcasts; GEP refers to Global Economic Prospects report.*
Source: *Calculations based on data in https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-turning-corner-pandemic-2021*

9. **Global growth is expected to remain highly uneven, reflecting major risks around how the pandemic will evolve and the possibility of financial stress amid a large debt load.** The ongoing pandemic continues to shape the path for economic activity, with severe outbreaks and feeble progress in vaccine deployment continuing to weigh on growth in many IDA countries. Erosions of human capital and large death tolls from the ongoing effects of the pandemic will remain a significant factor. In 2021, growth in IDA countries will be the slowest in more than two decades, with FCS growing by a mere 1.3 percent, and will likely remain subdued compared to pre-COVID-19 levels. For this subset, growth is set to be dampened by increased debt burdens, policy uncertainty, social unrest and rising insecurity – which will more than offset improvements in the external context. Moreover, World Bank analysis indicates that economic growth in IDA countries will lag that of advanced economies by around 2 percentage points a year on average from 2021 through 2023, thereby widening an already large gap between rich and poor countries. Reducing extreme poverty to 3 percent by 2030 would require all countries to grow at rates of between 8 and 8.5 percent per year (depending on scenario) for the remainder of the decade.[9]

10. **The poverty impact of the pandemic will be long-lasting, further jeopardizing achievement of the global goal to eradicate extreme poverty by 2030.** In IDA countries, the poverty rate is projected to increase by 2.3 percentage points in 2021 relative to pre-COVID-19 projections, much higher than the 0.9 percentage points increase for non-IDA countries. Accounting for the impacts of COVID-19, the latest forecasts of poverty dynamics through 2030

[9] Note that due to the absence of comprehensive data for many countries, the global estimates for 2020 and 2021, and longer-term projections through 2030, assume that there are no changes in inequality. If the pandemic and the recovery were to increase inequality, as some of the emerging evidence from high-frequency phone survey data suggests, the estimated increase in global poverty on account of the COVID-19 pandemic would be even greater.

estimate that 7.2 percent of the world's population will be living below the International Poverty Line by 2030, compared to 6.7 percent based on pre-COVID-19 projections, representing an additional 47 million people. In IDA eligible countries, the poverty rate projection for 2030, accounting for the impact of COVID-19, is 25.1 percent; 1.7 percentage points, or 36 million people higher than for pre-COVID-19 projections.

B. PROGRESS ON SUSTAINABLE DEVELOPMENT

11. **The COVID-19 crisis is having catastrophic effects on IDA countries' ability to realize the 2030 Agenda for Sustainable Development.**[10] COVID-19 is causing significant reversals on key development outcomes. IDA countries are hit relatively harder by the impacts of the COVID-19, with wide-ranging secondary effects, including increased food insecurity and rising risks of Fragility, Conflict and Violence (FCV). The prospects of IDA countries meeting the SDGs by 2030 are increasingly becoming a distant ambition. As the crisis and efforts to protect lives and livelihoods continue, intensified support will be critical not only for hastening recovery from the pandemic but strengthening preparedness for future crises and shocks toward promoting a more resilient, green and inclusive future for all.

12. **The pandemic is causing significant losses in IDA countries and risks reversing a decade of progress to human capital outcomes.** Absent decisive large-scale investments commensurate to this challenge, the COVID-19 crisis could reverse a decade of progress in human capital as measured by the HCI, and the scars on human capital and the loss of future productivity would become permanent.[11] The scars are likely to be large in IDA FCS, which account for 11 of the 20 lowest ranked IDA countries in terms of the HCI.[12] COVID-19 is putting massive strains on health systems in IDA countries as they try to cope with the demands of prevention, testing and treatment for COVID-19 and provision of regular essential health services. Health costs, including those associated with COVID-19, are depleting lifesavings and limited assets of families in IDA countries. Childhood immunization rates remain low, the malaria burden in SSA will likely increase significantly, and maternal and child mortality in IDA countries is estimated to increase by 12 percent and 18 percent respectively.[13] Access to child and elder care is dropping, and the average coverage of social assistance is increasingly inadequate, with many households forced to dip into emergency savings or sell assets.[14] At the same time, curtailed access to education services further poses substantial risks to human capital and future productivity. Based on the latest published estimates, COVID-19 related school closures are estimated to have led to a loss of between 0.5 to 0.9 quality adjusted years of schooling and increased dropout rates, with UNESCO projecting that 11 million girls are at risk of not returning to school. The current generation of children in IDA countries stands to lose up-to $900 billion in future lifetime earnings. Evidence

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[10] United Nations. 2021. *The Sustainable Development Goals Report 2021*. New York: United Nations.

[11] World Bank. 2020. *The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19.* Washington, DC: World Bank.

[12] Ibid.

[13] Hogan, A., et al. 2020. *Potential impact of the COVID-19 pandemic on HIV, tuberculosis, and malaria in low-income and middle-income countries: a modelling study*. The Lancet Global Health 8.9 (2020): e1132-e1141.

[14] *https://blogs.worldbank.org/voices/how-covid-19-affects-households-poorest-countries-insights-phone-surveys*

shows that increasing levels of education for girls can drastically improve health outcomes for them and broader human development outcomes for their children.[15]

13. **With COVID-19, the existing jobs crisis has only deepened.** The jobs challenge is acute: even before the crisis, IDA countries were in dire need to create jobs just to keep pace with the number of youths entering the job market. Now, the loss of working hours globally is estimated at the equivalent of 255 million full-time jobs.[16] Small and medium-sized enterprises (SMEs) and informal businesses have been the hardest hit by lockdowns and had less access to government support programs, and many risk falling into arrears.[17,18] The impact across countries varies; Small Island Developing States (SIDS) reliant on tourism have faced the deepest declines. Seventy percent of the jobs lost have led to people dropping out of the labor force, the large majority of them women.[19] Households are feeling the loss of income, with a higher incidence of work stoppages and income losses among youth, women, and self-employed and casual workers with lower levels of education.[20]

14. **The challenges in IDA countries are further compounded by the effects of climate change.** Climate impacts continue to undermine development outcomes, with a disproportionate impact on the poorest and most vulnerable IDA countries, including SIDS and FCS. Furthermore, within IDA countries, climate change often affects the poorest and most vulnerable communities, including those reliant on agricultural or coastal livelihoods. IDA countries contribute only around four percent to global greenhouse gas emissions, yet they bear the disproportionate impacts of climate change. Over the last decade, IDA countries have been hit by nearly eight times as many natural disasters compared to the 1980s, resulting in a threefold increase in economic damage.[21] Estimates suggest that if unchecked, the effects of climate change will push 132 million people into poverty over the next 10 years.[22] The risks of both internal displacement and international migration are expected to increase due to more intense and frequent storms, increased drought and desertification, rising sea levels, and reduced agricultural productivity.[23]

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15 Azevedo, J. P., A. Hasan, D. Goldemberg, S. A. Iqbal, and K. Geven. 2021. *Simulating the Potential Impacts of COVID-19 School Closures on Schooling and Learning Outcomes: A Set of Global Estimates.* The World Bank Research Observer, World Bank Group, vol. 36(1), pages 1-40.

16 International Labour Organization. 2021. *ILO Monitor: COVID-19 and the World of work. Seventh edition.* Geneva: International Labour Organization.

17 Apedo-Amah, Marie Christine; Avdiu, Besart; Cirera, Xavier; Cruz, Marcio; Davies, Elwyn; Grover, Arti; Iacovone, Leonardo; Kilinc, Umut; Medvedev, Denis; Maduko, Franklin Okechukwu; Poupakis, Stavros; Torres, Jesica; Tran, Trang Thu. 2020. *Unmasking the Impact of COVID-19 on Businesses: Firm Level Evidence from Across the World.* Policy Research Working Paper; No. 9434. Washington, DC: World Bank.

18 World Bank. 2021. *Supporting Firms in Restructuring and Recovery.* EFI Insight-Finance, Competitiveness and Innovation. Washington, DC: World Bank

19 International Labour Organization. 2021. *ILO Monitor: COVID-19 and the World of work. Seventh edition.* Geneva: International Labour Organization.

20 Bundervoet, T., Davalos, M., and Garcia, N.. 2021. *The short-term impacts of COVID-19 on households in developing countries: an overview based on a harmonized dataset of high-frequency surveys.* Policy Research Working Paper No. 9582, Washington, DC: World Bank.

21 The International Disaster Database (EM-DAT)

22 Jafino, Bramka Arga, et al. 2020. *Revised estimates of the impact of climate change on extreme poverty by 2030.* Washington, DC: World Bank Group.

23 Kanta K. Rigaud et al. 2018. *Groundswell: Preparing for Internal Climate Migration.* Washington, DC: World Bank.

15. **Together with COVID-19 and climate change, the worsening impacts of conflict are aggravating stresses and insecurity underscoring the importance of crisis preparedness.** Economic shocks and environmental factors such as resource degradation exacerbate food insecurity, drive inequality, and aggravate grievances. Humanitarian needs have increased sharply, and the number of people experiencing food insecurity and hunger is expected to increase dramatically, with 34 million people across 17 countries,[24] the majority of which are IDA FCS, at risk of experiencing famine in 2021,[25] and further deterioration expected in 2022. These stresses underscore the need to support investments in crisis preparedness to help IDA countries to prepare timely, cost-effective responses to future shocks, and the need to invest in core systems for government service delivery.

16. **Gender gaps are widening, undoing years of hard-won development gains**. Women are overrepresented in informal sector jobs, which are at higher risk of being lost. Compared to men, women in informal employment are more often found to be in the most vulnerable types of jobs, such as domestic and home-based work. The COVID-19 crisis highlighted both the important role of social protection in managing and mitigating crises but also the gaps in access particularly for women. Prior to the pandemic, women dedicated on average 3.2 times more time than men to unpaid care work,[26] and COVID-19 is exacerbating the demand for childcare and caring for the elderly and sick, which is often the responsibility of women.[27] Furthermore, in IDA countries, four out of 10 adolescent girls were already out of school before the pandemic struck. While schools have been closed during the pandemic, girls have taken up a disproportionate share of household chores and have been exposed to harmful risks, with increased likelihood of exploitation, early marriages, and adolescent pregnancy, with negative consequences for returning to school. Evidence from multiple countries and data sources points toward an increase in intimate partner violence and other forms GBV during the pandemic, especially during periods of lockdowns across multiple low- and middle-income countries.[28]

17. **Energy access remains critically important in IDA countries and is an unfinished agenda.** Universal access to affordable, reliable, sustainable and modern energy for all is instrumental to achieving the SDGs, including economic growth and prosperity, human capital development and public service delivery. IDA countries score lowest on access to energy at home, schools, hospitals and industry, with high costs of supply, more than double the cost in Organisation for Economic Co-operation and Development (OECD) countries in some cases. In addition, the lack of clean cooking causes more than 4.3 million premature deaths annually–primarily women and girls. The need to enhance energy access continues to be urgent as countries respond to COVID-19 and work toward a resilient recovery.

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[24] IPCC. 2019. *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystem*.

[25] WFP and FAO. 2021. *Hunger Hotspots. FAO-WFP early warnings on acute food insecurity: March to July 2021 Outlook*. Rome. Global Humanitarian Overview 2021, OCHA.

[26] Charmes, J. 2019. *The Unpaid Care Work and the Labour Market. An analysis of time use data based on the latest World Compilation of Time-use Surveys*. Geneva: International Labour Organization.

[27] UN Women. 2020. *Surveys show that COVID-19 has gendered effects in Asia and the Pacific. Gender and Covid-19.* April 29, 2020.

[28] Center for Global Development. 2020. *COVID-19 and Violence against Women and Children – A Third Research Round Up for the 16 Days of Activism* (December 2020) *https://www.cgdev.org/sites/default/files/covid-and-violence-against-women-and-children-three.pdf*

18. **The COVID-19 crisis is also exacerbating inequalities and vulnerabilities, particularly among groups that are already poor and marginalized.** The impacts of the pandemic are widening pre-existing gaps, notably among already vulnerable populations including persons with disabilities, informal workers, internally displaced people, and refugees. Persons with disabilities face additional COVID-19 related challenges, including access to health systems, assistive technologies for learning, workplace accommodations, and mobility restrictions.[29] Sexual and gender minorities also face additional challenges related to accessing community organizations for essential services, increased isolation, or overrepresentation in homeless populations, which in turn lack the ability to engage in effective social distancing.[30]

19. **While the COVID-19 crisis highlights the key role of technology in supporting national resilience, it has also highlighted the growing digital divide.** COVID-19 has been a catalyst for digital government services, or GovTech solutions, particularly for business continuity, service delivery, and institutional performance. Meanwhile, access to digital infrastructure and connectivity remains severely limited in IDA countries, which lag far behind non-IDA countries, with impacts on productivity and job creation. Mobile internet penetration rates are around 20 percent in IDA countries, compared to 63 percent for non-IDA countries. At the same time, cybersecurity risks are growing rapidly with digitalization and are compounded in IDA countries by the lack of adequate legal frameworks on data governance and data protection. Gaps in access to technologies have also been felt in the education sector, where varied technology use to enable remote learning has revealed a digital divide, potentially leaving vulnerable groups farther behind. Efforts to close the digital divide need to be complemented by support to increase access to electricity.

C. GLOBAL AID FINANCING LANDSCAPE

20. **In the context of mounting pressures from compounding crises, overall and external financing needs (EFNs) of IDA countries are surging.** With growing current account deficits and debt amortization resulting from the global economic slowdown, estimates indicate that EFNs in Low Income Countries (LICs) over the IDA20 period (FY23-25) will amount to $429 billion.[31] It is further estimated that in order to return to a path of convergence with advanced economies, LICs would require an additional $310 billion.[32] As a result, overall financing needs for IDA countries are estimated at around $739 billion over the period (Figure 1.3).[33] In an adverse scenario of slower-than-expected recovery or further shocks, a further $66 billion would be needed to return

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29 World Bank. 2021. *Draft issues paper on persons with disabilities in the COVID-19 pandemic.* Washington, DC: The World Bank.

30 World Bank. 2021. *Issues paper on the intersection of SOGI and COVID-19.* Washington, DC: The World Bank.

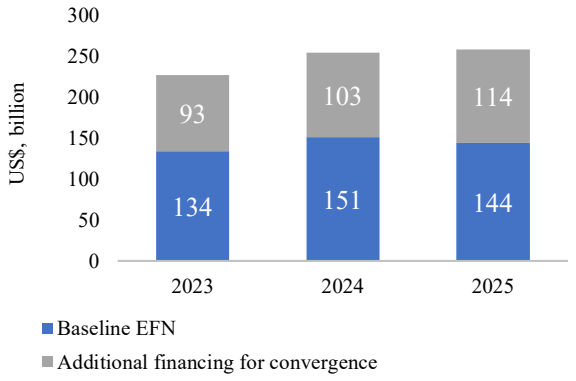
31 World Bank. 2021 *IDA20 Ask Paper: Demand, Architecture, and Scenarios.* Washington, D.C.: World Bank Group.

32 International Monetary Fund. 2021. *Macroeconomic Developments and Prospects in Low-Income Countries*. Policy Paper No. 2021/020. Washington, DC: IMF.

33 See April 2021 World Economic Outlook (IMF). Projections are based on LICs' current account deficits and external debt amortization. Actual financing needs of IDA countries are likely to be higher than the LICs estimate because the while LICs group (69 countries) excludes several IDA countries (74 countries), including some large borrower, such as Nigeria and Pakistan.

to convergence. Meeting these needs, as well as bridging the financing gap toward long-term sustainable development, requires a multi-faceted approach, including stepped-up financing from the international community – despite their more constrained financing environment.

Figure 1. 3. External Financing Needs in IDA20



Source: *World Bank (May 2021), IMF (April 2021). Estimates for additional financing needed for convergence uses LICs which is a narrower subset of IDA countries, and excludes Nigeria and Pakistan.*

21. **The elevated financing needs in IDA countries have not been matched by a commensurate increase in available Official Development Assistance (ODA).** There are indications that official financial flows to developing countries have experienced a small decline or stagnated at best since the beginning of the pandemic, due to tight fiscal conditions in donor countries.[34] This presents a serious challenge for IDA countries as they are facing higher spending needs and declining fiscal revenues resulting from COVID-19. Indeed, IDA countries' limited fiscal space and marginal buffers have made it difficult for countries to respond with large fiscal stimulus packages, a stark reminder of the financing challenges they face when compared to advanced economies.

22. **Concurrently, while IDA countries seek to address their increased external financing needs, unexpected tightening of external financial conditions could curtail their recovery efforts, especially those with heightened debt vulnerabilities**. Global financial conditions remain generally supportive for most countries, compared to the same period in the aftermath of the Global Financial Crisis.[35] However, some emerging market and developing economies are experiencing larger increases in borrowing costs, particularly countries that are heavily indebted.[36] If recent inflationary pressures persist, more emerging markets central banks may be forced to tighten their monetary policy making it even more difficult to access funding on reasonable terms from international capital markets.[37] Furthermore, investors appear to be pricing in substantially higher rates over the next few years. As a result, during this period financial markets may not be as accessible as they were pre-COVID-19.

23. **IDA countries also face challenges in terms of domestic resource mobilization, which are exacerbated by tax avoidance, corruption, and illicit financial flows**. In many IDA countries, revenue collection lags behind government needs due to narrow tax bases, large informal sectors, and difficulties in reforming tax systems. Furthermore, even before the outbreak of COVID-19, IDA countries faced a persistent challenge with corruption, associated with shortcomings in public sector accountability and transparency. The risk of tax evasion and cross-border corruption further increased as governments relaxed already weak administrative controls

[34] United Nations Inter-Agency Task Force on Financing for Development. 2021. *Financing for Sustainable Development Report.* New York, NY: United Nations, 2021).

[35] World Bank. 2021. *Global Economic Prospects, June 2021*. Washington, DC: The World Bank.

[36] Ibid.

[37] International Monetary Fund. 2021. *World Economic Outlook Update, July 2021*. Washington, DC: IMF.

to expedite pandemic responses.[38] These challenges exert added pressure on countries' constrained fiscal spaces. Moreover, while IDA is supporting countries' efforts to increase their own resources, the impacts of these efforts are likely to only show over the medium-term.

24. **Elevated financing needs require a shift in the global aid architecture, with particular focus on rising debt vulnerabilities, which heighten the need for concessional financing, especially grants.** The share of ODA grants in Official Financial Flows (OFF) to countries at high risk of, or already in, debt distress (red light countries)[39] declined from 93 to 62 percent in the ten years leading up to 2019 (Figure 1.4).[40,41] While 2019 represented a reversal in this trend, a quarter of OFF to red light countries continues to be provided as loans of varying concessionality. Contrastingly, as of June 2021, 54 percent of IDA countries under the LIC Debt Sustainability Framework (DSF) are classified as red light countries (of which 56 percent are FCS), up from 50 percent in 2019 and 26 percent in 2013. Moreover, Debt Sustainability Analyses (DSAs) for countries in unsustainable or near-unsustainable debt situations show large breaches of liquidity indicators and some borrowers face high redemptions in the medium term. This underscores the importance of concessional financing, especially grants, in restoring debt sustainability in IDA countries. The continued implementation of the Sustainable Development Financing Policy (SDFP) will be critical in stemming vulnerabilities, and the added fiscal space from the G20 Debt Service Suspension Initiative (DSSI) and special debt treatments under the G20 Common Framework are bringing some respite. Still, many IDA countries will continue to need highly concessional financing to build back better and prevent further worsening of their debt positions.

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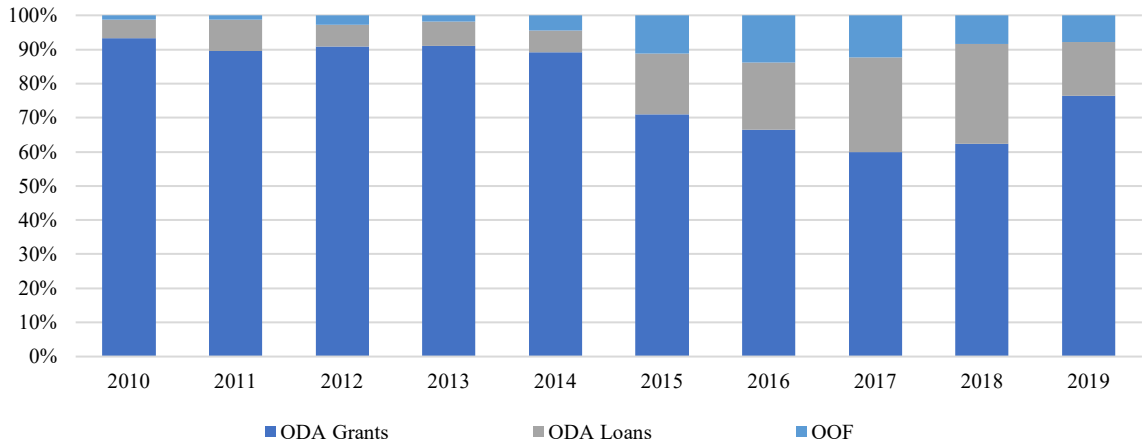
[38] FACTI Panel. 2021. *Financial Integrity for sustainable development*. New York: United Nations Department of Economic and Social Affairs.

[39] Country debt risk ratings emerge from country-specific forward-looking debt sustainability analyses based on the joint IMF-World Bank Debt Sustainability Framework (DSF) for low-income countries. These risk ratings follow a "traffic lights" system: high risk or in debt distress ("red" light), medium risk ("yellow" light), and low risk ("green" light).

[40] World Bank estimates based on the OECD Creditor Reporting System. OFF is the sum of ODA (subdivided between grants and loans) and Other Official Flows (OOF). ODA are financing flows that are concessional in character and promote and target the economic development and welfare of developing countries as their main objectives. The concessionality of a loan is measured by its grant element, which is the difference between the loan's nominal value (face value) and the sum of the discounted future debt-service payments to be made by the borrower (present value), expressed as a percentage of the face value. Typically, a loan is concessional if its grant element is 35 percent or more. In OECD statistics, different grant element percentages are used for different types of countries as a measure of donor effort. OOF includes flows that do not meet ODA criteria, such as transactions primarily for representational, commercial, or export-facilitating purposes or official transactions intended to promote development, but which do not meet concessionality thresholds.

[41] The trend of decreasing grants in OFF to red light countries observed since 2014 holds even when excluding Blend and Gap countries, which may not be eligible for grants from some MDBs like IDA.

Figure 1. 4. Composition of Aid Flows from Official Donors to IDA Red Light Countries



Source: *World Bank estimates, based on OECD Creditor Reporting System.).*
Note: *This figure shows the share of each year's total for OFF commitments at 2019 prices for IDA countries classified as red light in that year.*

25. **Increased fragmentation in the global aid architecture coupled with lower aid flows have translated into increased costs for recipient countries**.[42] Notably, the number of donor entities increased from less than 200 two decades ago, to approximately 500 today.[43] In parallel, the average value of aid flows has declined gradually (that is, the average size of loans and grants), from $2.2 million in 2000 to $1.4 million today,[44] and more so for ODA grants, which almost halved in size from $1.5 to $0.8 million over this period.

26. **MDBs are well placed to improve aid coordination and address the financing gaps, however their concessional arms that rely on periodic replenishments face falling donor contributions.** MDBs play a crucial countercyclical role in helping countries withstand financial crises, such as fiscal consolidation and other macroeconomic reforms to promote economic development.[45] They also collaborate to ensure their respective financing options fit within a coherent framework and incentive structure and coordinate on common approaches on resource allocation, graduation criteria, regional initiatives, support to FCS, and crisis response. Despite such coordinated financing, new donor contributions to the three largest concessional MDB arms—IDA, the African Development Fund (AfDF) and the Asian Development Fund (AsDF)—have declined by 15 percent in nominal terms over the last three replenishments,[46] while

[42] More than 70 percent of recipient countries now receive funding from more than 50 different donor entities, each with their own priorities, sets of rules, and reporting requirements.

[43] Staff estimates based on the OECD Creditor Reporting System. Part of the sharp increase observed may be due to under-reporting in the past.

[44] Staff calculations based on the OECD Creditor Reporting System.

[45] OECD. 2018. *Multilateral Development Finance: Toward a New Pact on Multilateralism to Achieve the 2030 Agenda Together*. Paris: OECD Publishing.

[46] Donor contributions to MDB funds fell by $5.6 billion over the period. Contributions to IDA16, AfDF12, and AsDF10 totaled $36.4 billion, while contributions to IDA19, AfDF15, and AsDF13 totaled $30.8 billion. Despite this drop, the size of MDBs' replenishments has risen by 34 percent from a combined $70 billion to $94 billion.

contributions to the five largest vertical funds rose by 95 percent.[47] It is worth noting that most vertical funds convert donor contributions directly into grants, including for countries which are not always eligible for grants from MDBs or which might otherwise be willing to borrow on concessional terms for interventions with expected economic returns.

SECTION II: DELIVERING LONG-TERM OUTCOMES IN THE POOREST COUNTRIES

27. **IDA is uniquely positioned to support the poorest and most vulnerable countries respond to the impacts of COVID-19 and compounding crisis and address their most pressing long-term development priorities.** Underpinned by strong country presence and long-standing client engagements, IDA's country-driven model drives results targeting those who need it the most and achieves greater and measurable development impact. IDA pools and leverages funds to reach more people and amplify the impact of development resources, knowledge, and capabilities. Guided by ambitious policy commitments and rigorous results measurement, IDA is continuously adapting to changing global needs, mobilizing more resources, and creating better and lasting solutions for the most acute development problems. IDA remains the largest provider of unearmarked and concessional finance among MDBs and continues to play a leading role in helping the poorest countries return to a path of convergence. Within a global coalition of multilateral, bilateral and other official donors, IDA stands ready to play its role to meet the unprecedented needs.

A. IDA'S COMPARATIVE ADVANTAGE

28. **IDA's success rests on its ability to help its client countries achieve the development outcomes they desire.** The country-driven model is critical in ensuring that the most important development priorities in IDA countries are addressed and have lasting impact. The country-driven model ensures that priorities for IDA support at the country level is tailored to each borrowing country's needs, performance, and development plans, and is structured to help governments sustainably manage their finances. It also ensures that responses to considerable challenges, including climate change and pandemics, are grounded in country specific circumstances. The model, anchored in the WBG Country Engagement approach, puts strong emphasis on country ownership, alignment with national priorities, and a sharp focus on sustainable development outcomes.

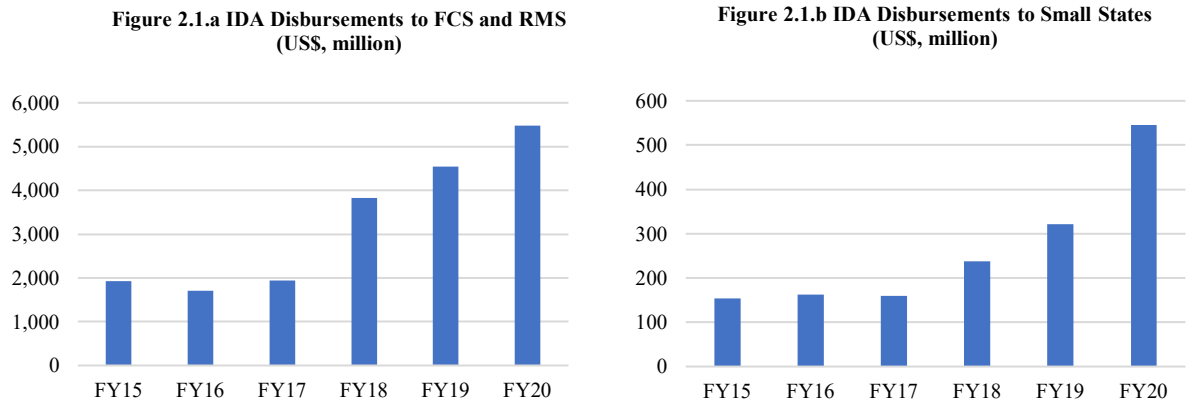
29. **The country driven model is underpinned by an increasing global footprint, enabling a deep understanding of client needs and what works best, as well as effective implementation support.** The number of staff in IDA countries and IDA Fragile and Conflict-affected Situations (FCS) has continued to increase in line with IDA's commitment to ensure robust country engagement and dialogue, as well as to provide on-the-ground implementation support and results monitoring as called for by Participants at the IDA19 Mid-Term Review (MTR) meeting in April

[47] Donor contributions to the top five vertical funds rose by $19.6 billion over the last 10 years. Combined contributions to the Global Fund to Fight AIDS, Tuberculosis and Malaria, Gavi, The Vaccine Alliance, the Green Climate Fund, Global Partnership for Education, and Global Environment Facility increased from $20.5 billion to $40.1 billion.

2021. IDA's strong country presence has been a critical aspect of the strong implementation progress in IDA19,[48] including IDA's rapid response to the COVID-19 pandemic, building on existing engagements and aligned with countries longer-term priorities (See Box 2.1). Thus, while the pandemic has compounded the major challenges that low-income and FCS countries were already facing, IDA's swift response, firmly anchored in the support provided over successive IDA cycles, has been a critical element of the global efforts to mitigate the severity of the impacts. Beyond its in-country presence, IDA continuously takes measures to enhance implementation support to IDA countries by building client capacity, streamlining processes, strengthening operational policies and systems, sharpening outcome orientation, and drawing on lessons learned through self-assessments and evaluations by the Independent Evaluation Group (IEG) that will improve implementation during IDA20.

30. **IDA brings substantial unearmarked resources that drive positive development outcomes for the 1.3 billion people who live in IDA countries.** IDA's financing architecture represents a robust and efficient framework for allocating resources through the Performance-Based Allocation (PBA) system that provides unearmarked support to the poorest countries. Over past replenishments, IDA financing volumes have increased significantly, with a proportionally higher share targeting the countries with the highest needs, including IDA FCS and Risk Mitigation Regime (RMR) countries, and Small States (see Figure 2.1a and 2.1b).[49]

Figure 2. 1. IDA Disbursements to FCS and RMR countries, and Small States



Source: *World Bank data.*

[48] See also World Bank 2021. *IDA19: Implementation Status and Proposed Reallocations.* Washington, DC: World Bank.

[49] Disbursements refer to gross disbursements obtained from the WBG Finances website. Disbursements exclude the PSW and, in FY17, $50 million to Pandemic Emergency Financing Facility. FCS refer to those countries on the Lists of Fragile Situations in the corresponding fiscal years, with the exception of FY20, for which the FY19 list is used. RMR countries include the four IDA countries (Guinea, Nepal, Niger, and Tajikistan) under the exceptional Risk Mitigation Regime in IDA18. Small States refer to IDA-eligible countries with population of 1.5 million or less (21 IDA-eligible countries as of FY20).

Box 2. 1. An Unparalleled Response to an Unparalleled Crisis

From the onset of the COVID-19 crisis, the World Bank Group has been the leading multilateral development bank in supporting IDA countries to respond to the pandemic. As part of the WBG response, IDA leaned forward, applying all the tools in its toolkit, and reacted fast and at scale, providing a significant counter-cyclical response. To help countries address the health, economic, and social impacts of the COVID-19 crisis, IDA allocated 43 percent of IDA19 resources in FY21. This was followed by an agreement to frontload resources from FY23 to FY22 to sustain the scale of financing at $35 billion for both FY21 and FY22. This attests to the scale of IDA's response to the crisis, the heightened financing needs and absorptive capacity of IDA countries, and the decisive way in which clients have used IDA resources to protect hard-earned development gains.

While the pandemic has compounded the major challenges that IDA countries were already facing, IDA's swift response, firmly anchored in the support over successive IDA cycles, has cushioned the severity of the impacts. During a challenging period where clients have needed support on issues ranging from vaccine deliveries to remote learning, from structural reform to safety nets, and from locust swarms to famines, IDA made a difference in the lives of millions of the world's most vulnerable people. This included the approval of $6 billion for the Global Health Multiphase Programmatic Approach (MPA) and a further $12 billion for vaccines, with an expansion of up to $20 billion announced in June of 2021. The Global Health MPA+ supports the initial COVID-19 health response to prevent, test and provide care for those infected, and the additional financing provides affordable and fair access to vaccines for low- and middle-income countries. As of September 30, 2021, the total COVID-19 health emergency response amounted to $12.9 billion, including $9.8 billion for the COVID-19 MPA response and $3.1 billion from re-purposed financing from existing projects in the health portfolio that were restructured. Vaccine financing accounts for $5.8 billion of the total COVID-19 health emergency response, of which $3.2 billion is in IDA countries, and will support vaccine acquisition and deployment in 61 countries, including 46 IDA countries. This support was provided in close collaboration with key partners, including through COVID-19 Vaccines Global Access and the African Vaccine Acquisition Trust. [a, b] Meanwhile, in order to enable IDA to continue meeting the heightened financing needs of IDA countries, IDA Participants agreed on February 8, 2021 to advance IDA20 by one year, (i.e., starting at the beginning of FY23 instead of FY24) to allow for frontloading of some resources from FY23 to FY22, and to carry over remaining resources to IDA20.

IDA will continue to stretch in IDA20 to maximize the reach of Partner contributions, supporting its clients to respond to the extraordinary needs that the COVID-19 pandemic has created, while keeping in sight its role to support countries' development objectives in the longer term. An ambitious IDA20 is made possible by Partner contributions and further IDA balance sheet optimization, including new instruments for IDA clients discussed in further detail in Section IV: Volumes and Terms of IDA Assistance in IDA20.

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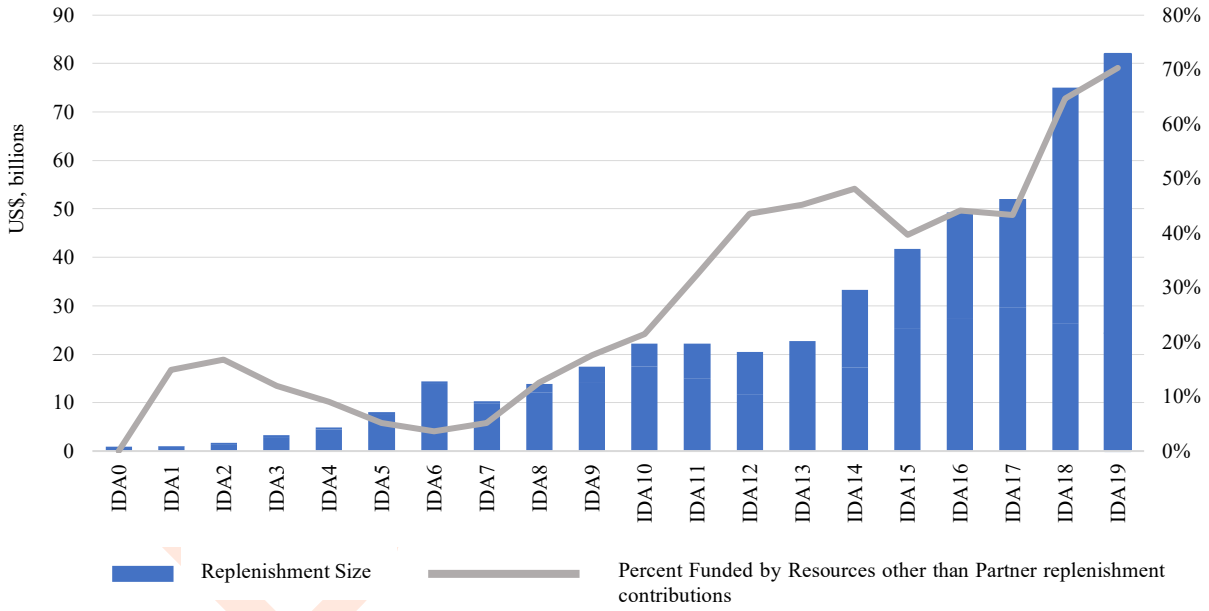
[a] The African Union, working closely with the World Bank, negotiated with Johnson & Johnson on behalf of the African countries to produce 400 million doses of vaccine for the continent with the goal of vaccinating 40 percent of the population by the end of 2021 and 60 percent by June 2022. Early September 2021, 100,800 first doses have already been shipped to Cote d'Ivoire. *See How Cote d'Ivoire became a model for managing vaccine hesitancy.*

[b] A comprehensive summary of IDA's crisis response is provided in World Bank. 2021. *IDA19: Implementation Status and Proposed Reallocations.* Washington, D.C.: World Bank Group.

31. **In addition, through its hybrid financial model, IDA offers unique value for money among MDBs with concessional business models, with ability to leverage Partner contributions at scale.** The adoption of the innovative hybrid financial model in the eighteenth IDA Replenishment (IDA18), whereby Partner contributions are complemented by capital market borrowings at low-interest rates, supported by IDA's triple-A rating, has allowed IDA to significantly expand its financial capacity and better support client needs. Since IDA18, every dollar of Partner contribution has allowed to mobilize three dollars in IDA commitment authority, up from a ratio of 1-to-2 in IDA17.[50] The success of the model builds on IDA's capital strength, unique mandate and development role, robust track record of prudent financial management policies, continued timely repayment by client countries of outstanding loans, and continued strong financial support from IDA's contributing partners—all of which underpin confidence from capital markets and IDA's triple-A rating. As outlined in Figure 2.2, more than 70 percent of the IDA19 replenishment was funded from resources other than Partner contributions, up from 65 percent in IDA18 and between 40 and 50 percent in the six previous replenishments before the IDA18 introduction of the hybrid model.

Figure 2. 2. IDA Replenishment Size Over Time



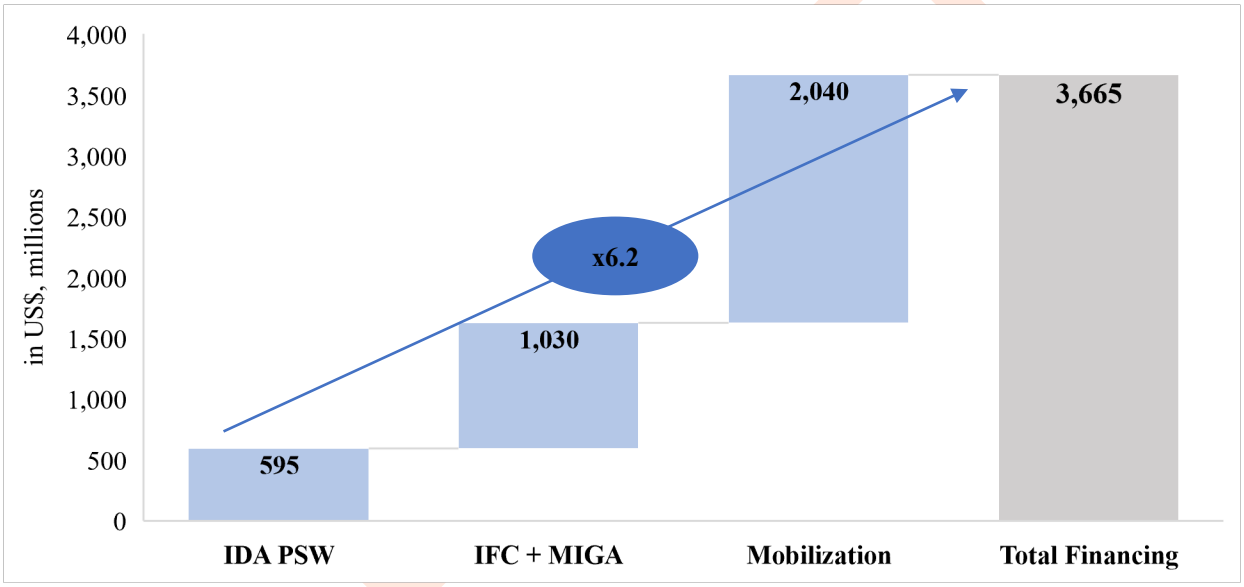
Source: *World Bank Data.*

32. **In addition to its resources, IDA leverages the weight and experience of the WBG to support IDA countries.** Over the past 15 years, IDA has worked closely with partners across the WBG to triple the volume of total WBG financing to IDA countries. Bringing in both the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) and working as one WBG has significantly increased the role of the private sector in IDA countries, which has become even more critical as governments are trying to stimulate economic

[50] World Bank. 2021. *IDA20 Financing Framework*. Washington, DC: World Bank Group.

recovery and job creation following the COVID-19 crisis. The introduction of the Private Sector Window (PSW) in IDA18 has allowed IDA funds to leverage other WBG investments by approximately sixfold in private investment finance in some of the world's most challenging markets (see Figure 2.3). IFC Upstream Advisory work has been key in facilitating a strong pipeline of impactful investments, some of which benefit from PSW support. These mobilization efforts have had a considerable demonstration effect, boosting investor confidence, and opening investment opportunities in some of the most challenging markets and increasing external financing. In IDA20, the PSW will continue to reinforce this collaboration by mitigating private sector risks with a special focus on IDA FCS, exemplifying IDA's role as a catalyst of private financing in the world's toughest markets.

Figure 2. 3. FY21 IDA PSW Commitments Leveraged Significant Private Sector Financing



Source: *World Bank Data.*

B. AID COORDINATION AND DEVELOPMENT EFFECTIVENESS

33. **Leveraging partnerships is a core element of IDA's commitment to address aid fragmentation, and IDA's strong country presence provides a robust platform that helps bring together other development partners to collaborate effectively to achieve results at the country level.** At global, regional, and country levels, IDA partners with countries and institutions to respond to client needs in a coordinated and effective manner. This includes collaboration with multilateral, bilateral and domestic partners, including the International Monetary Fund (IMF) and other MDBs, the United Nations (UN) and its agencies, the European Commission, bilateral partners, Civil Society Organizations (CSOs), and the private sector. In particular, IDA is playing a key role in bringing development actors together through its country-level presence, multi-sectoral expertise, lending capacity, analytical work that serves as public goods, policy dialogue, inclusive engagement with stakeholders and knowledge transfers across regions/countries. Through Country Platforms, IDA is taking a leadership role in supporting countries to better coordinate donor efforts to enhance development impact at the country level based on a clear

understanding of comparative advantage (see Box 2.2). IDA also works with other multilateral and bilateral development partners through co-financing agreements, which during IDA18 and IDA19 (FY21) periods, helped mobilize $5.9 billion in co-financing to IDA projects. For instance, IDA's partnership with Agence Française de Développement alone helped provide $1.1 billion in co-financing to 15 IDA projects over the course of IDA18 and the first year of IDA19.

34. **IDA works closely with the IMF and other MDBs to ensure alignment on policy frameworks and country programs.** IDA has traditionally had a strong partnership with the IMF, particularly on the issues of Development Policy Financing, the Debt Sustainability Framework as well as coordinated reengagements with countries in arrears. IDA also collaborates with other MDBs, particularly on debt issues, under the auspices of the Program of Creditor Outreach (PCO) a pillar of the Sustainable Development Finance Policy (SDFP). The PCO also facilitates engagement with creditors, such as the Organisation for Economic Co-operation and Development, Paris Club, and the United Kingdom Foreign, Commonwealth & Development Office. In addition, IDA works with MDBs on resource allocation systems, which extend to common approaches to defining country access, graduation criteria, and use of exceptional allocations for regional initiatives, FCS, and crisis response.

Box 2. 2. Strengthening Donor Harmonization, Alignment with Country Priorities, and Outcome-Orientation

The World Bank has historically played an active role in country-led coordination. To further strengthen government-led collaboration at the country level, IDA is increasingly participating in country platforms in IDA countries. As such, through diagnostics and financing, IDA contributes to defining aid effective country development programs and financing strategies to support countries in making progress towards the Sustainable Development Goals (SDGs). This work is done in close partnership with other development actors, including through the Integrated National Financing Framework platforms that coordinate country-based development partners (including MDBs, UN agencies, bilateral actors, and others) around the SDG agenda.

Country platforms are government-led mechanisms aimed at enhancing the development impact of public programs and projects by improving donor coordination and alignment of efforts on key reform areas. The World Bank has been supporting and monitoring country platform implementation progress in several IDA countries during IDA19, including Afghanistan, Ethiopia, Kenya, Pakistan, Uzbekistan, and Yemen. Importantly, coordination through country platforms has helped advance the Jobs and Economic Transformation (JET) agenda and mobilization of private finance. For instance, in *Pakistan*, three of the four main priorities of the emerging country platform are related to JET and focus on sustainable power, education and learning outcomes, and digital financial inclusion. Sustainable power is more advanced, supported by a sector coordination mechanism led by the Ministry of Energy and focused on reducing sector financial deficits and the cost of energy (including through increased private sector participation in generation).

While the COVID-19 pandemic has shifted immediate priorities and constrained the frequency of country platforms meetings in many countries, country platforms have also served as a platform to coordinate support to governments' COVID-19 response. In *Kenya*, one of the top priorities on the country platform agenda has been facilitating information sharing through updates on COVID-19 and the status of vaccination efforts. In *Uzbekistan*, the Government has requested the creation of a Socio-Economic Task Force as a response to the pandemic, co-chaired by the World Bank and the United Nations Development Programme and including all UN agencies and international financial institutions. In cooperation with the Government's Anti-Crisis Committee, the Task Force, established in April 2020, has coordinated financing and advice on the Government's social and economic anti-crisis policy responses, as well as job creation.

Building on its renewed commitment to ensure that development effectiveness its measured by the ability to contribute to long-term development outcomes, IDA plays a leading role in chairing the Multilateral Development Banks Working Group on Managing for Development Results.

35. **IDA continues to have strategic and operational collaboration with UN agencies, particularly as IDA moves into the humanitarian-development-peace nexus.** The World Bank's engagement with UN agencies is undertaken through several modalities, including indirect and direct financing as well as through close cooperation on policy, operations and analysis. For instance, from FY16-21, $3.72 billion in IDA financing has been implemented with support of UN partners, with $1.21 billion and $2.5 billion, in indirect and direct financing, respectively. Through the indirect financing modality, the World Bank has negotiated Standard Forms of Agreements

with 12 UN agencies.[51,52] Some UN agencies have also been direct recipients of IDA grants to support the implementation of projects or activities within a project in difficult environments. In IDA FCS, the World Bank has intensified mission-driven partnerships, leveraging the organizations' complementary mandates, capacity, and expertise to maximize collective impact. The World Bank currently has structured partnerships with UN agencies in more than 40 crisis-affected situations, which ensures coordinated common approaches and alignment with countries' priorities. In 2020, the World Bank also signed an Operational Framework Agreement with the International Committee of the Red Cross, as part of scaling-up collaborative efforts to enhance impact in FCV settings. IDA20 will build on and further strengthen these initiatives.

36. **In all its engagements, IDA acts with openness and accountability serving its clients and partners.** IDA publicly discloses results, operational and financial data for accountability toward its donors, clients, and citizens. The Aid Transparency Index places IDA in its highest category, ranking it among the most transparent development institutions.[53] Citizen engagement is also essential to achieving development outcomes, and as such all, IDA investment operations are required to be informed by consultations with civil society. An important channel for engaging civil society is the Multi-Donor Trust Fund, Global Partnership for Social Accountability (GPSA), managed by the World Bank. The GPSA provides grants to CSOs, supporting them with capacity building and implementation support in their engagement with governments to help solve pressing development and governance challenges, especially in the delivery of services, and to improve development outcomes using social accountability mechanisms including citizen feedback.[54] Since it was established in 2012, the GPSA has disbursed 51 grants totaling 33.5 million of which 73 percent was for IDA countries. Moreover, after the publication of the Strategic Framework for Mainstreaming Citizen Engagement in 2014, citizens' voices and agency are increasingly and more systemically integrated in WBG policies, projects, and advisory services to improve development results and build sustainable national systems for citizen and civil society engagement.

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[51] These are contract templates pre-negotiated by the World Bank and UN partners for Borrowers to engage UN agencies at the country level, as mandated by the World Bank's Procurement Regulations for Borrowers.

[52] These are the Food and Agriculture Organization, International Labour Organization, International Organization for Migration, United Nations Development Programme, United Nations Educational, Scientific and Cultural Organization, United Nations Population Fund, United Nations Children's Fund, United Nations Industrial Development Organization, United Nations Office for Project Services, World Food Programme, World Health Organization, and World Meteorological Organization.

[53] See Aid Transparency Index 2020. *https://www.publishwhatyoufund.org/the-index/2020/.*

[54] The GPSA's governance structure comprises of a Steering Committee, co-chaired by the World Bank and its constituent members in rotation. It has a balanced representation of CSOs, donors and governments, consistent with the GPSA's Board Paper. The Committee provides guidance on strategy for the GPSA and approves CSO grant proposals.

C. OUTCOME ORIENTATION AND RESULTS MEASUREMENT

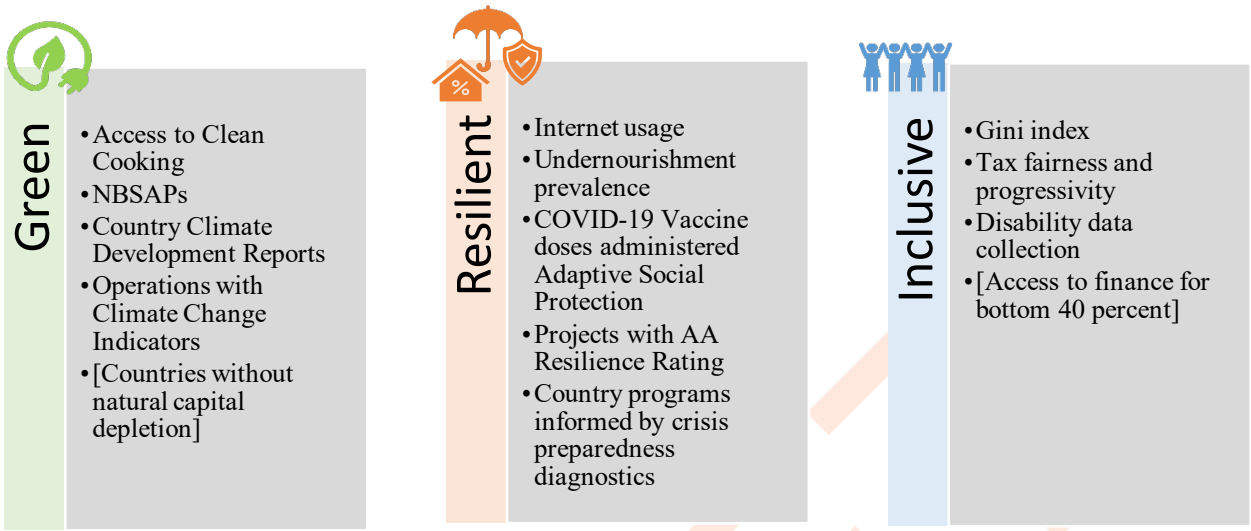
37. **For almost two decades, IDA's Results Measurement System (RMS) has measured success by how well IDA's support and policy commitments lead to outcomes that improve living conditions in the world's poorest countries.** IDA was the first multilateral development institution to develop a framework with quantitative indicators to monitor aggregate results, marking a turning point in the way such institutions across the world tracked their contributions to results. As an integral part of IDA's architecture, the RMS helps transform new ideas and agendas into measurable results and long-term impact.

38. **There is a strong thematic and sequential relationship between IDA policy commitments and the outcomes measured by the RMS.** Policy commitments made in different replenishment cycles reinforce themselves over time, with each cycle further advancing the previous. As new development challenges and priorities emerge and when areas with a long history of IDA support become ripe for scaling up or a new emphasis, IDA hardwires commitments into internal systems and processes, building the capacity of both clients and staff. Learning from implementation, IDA makes substantive policy commitments to achieve still higher-level results along the development path. The RMS reinforces this drive for results by incorporating indicators to track the effects of IDA commitments on all clients. It buttresses policy commitments by determining the desired scope of systemic change during each cycle and provides incentives to amplify change.

39. **IDA20 takes further steps toward outcome-orientation through the revamped RMS.** The RMS has constantly improved, and in IDA20, it maintains its three-tier structure and introduces new features that advance IDA's outcome orientation: (a) vertical linkage of indicators across tiers to better connect IDA's contributions to country-level outcomes, (b) indicators that fully reflect IDA20's strategic priorities across the five IDA20 Special Themes and the four Cross-Cutting Issues, (c) monitoring of long-term progress made in IDA countries by retaining indicators from previous IDA cycles, and (d) increased alignment with the SDGs. The IDA20 RMS also reorganizes Tier 3 indicators into processes that are essential to manage for outcomes. This new alignment facilitates the understanding of how IDA inputs and activities (Tier 3) deliver outputs and early and intermediate outcomes (Tier 2) that set the basis for high-level outcomes (Tier 1). This tighter linkage provides a structure to draw lessons from implementation and surface knowledge gaps, thus further advancing IDA's outcome orientation.

40. **The IDA20 RMS is the most ambitious in IDA's history and includes new indicators on topics of special importance in line with the GRID agenda while also offering more disaggregation.** With [15] new indicators, the IDA20 RMS fully integrates key aspects of a green, resilient, and inclusive future across the three Tiers (see Table 2.1). These indicators were agreed with Participants recognizing data availability-imposed limitations in identifying indicators that are quantifiable, sensitive to regular changes, from widely accepted sources, and prone to aggregation across IDA countries. Participants welcomed that the RMS offers more disaggregation by sex and FCS wherever possible while working with clients to address data limitations.

Figure 2. 4. New IDA20 RMS Indicators



41. **The IDA20 RMS indicators ensure continuity over multiple IDA cycles and reflect the priorities under the five Special Themes and the four Cross-Cutting Issues**. Participants welcomed the effort to balance new indicators to capture emerging priorities against the need to maintain continuity of indicators to measure long-term trends. As high-level outcomes take time to materialize, many indicators from the IDA19 RMS are carried over into IDA20. Furthermore, in addition to reporting against the IDA20 performance standards, the RMS will also report cumulative results over the IDA19 and IDA20 cycles for indicators that have been maintained.[55] By ensuring continued close alignment with the IDA20 Special Themes, the RMS is also designed to capture the development outcomes resulting from policy commitments made over consecutive IDA cycles. The close alignment together with the aggregated reporting will help track the continuity of efforts across key themes and showcase trends over time.

42. **IDA continues to strengthen and institutionalize outcome orientation, including through country engagement and in collaboration with other partners.** IDA is implementing a detailed roadmap to improve the organization's outcome orientation. This involves introducing high-level outcomes in Country Partnership Frameworks (CPFs), enhancing the role of Completion and Learning Reviews to better inform CPFs, and ensuring that Systematic Country Diagnostics identify long-term development outcomes, which are critical to the achievement of the twin goals, and articulate constraints and opportunities for achieving them. The adjustments to the country engagement guidance will allow IDA to show more explicitly how IDA-supported activities contribute to achieving high-level and long-term country outcomes, learn more frequently from implementation, and account for the indirect pathways that underpin the achievement of sustainable results. IDA results stories will continue to document the more

[55] Consistent with the current methodology of aggregation, Tier 2 results indicators will be reported on a cumulative and fiscal-year basis. For the IDA20 cycle, Tier 2 results will first report progress achieved during FY23 (during the IDA20 MTR); FY23 and FY24, and FY23, FY24 and FY25 (at the end of the IDA20 cycle). FY21 and 22 data from IDA19 RMS reporting will also be added for indicators that will be carried over from IDA19 RMS to show longer-term cumulative results.

nuanced, richer, and multiple dimensions that determine IDA's effectiveness at the country level, the cornerstone of its success. Outside the institution, the World Bank is leveraging its leadership role to strengthen coordination among MDBs and development partners to help clients enhance results-based monitoring and evaluation and outcome orientation.

SECTION III: BUILDING BACK BETTER FROM THE CRISIS – TOWARD A GREEN, RESILIENT, AND INCLUSIVE FUTURE

43. **The IDA20 replenishment, brought forward by a year, recognizes the need to help address the profound challenges faced by IDA countries.** IDA20 reaffirms the international community's commitment to scale up support to enable IDA countries to respond to the ongoing COVID-19 crisis, recoup their development losses, and get back on track toward the 2030 Agenda. This means finding ways to address short-term needs while pursuing long-term development priorities, and it requires countries to adapt to new realities and seize opportunities in a transformed world.

A. IDA20 OVERARCHING THEME

44. **Under the overarching theme "*Building Back Better from the Crisis –Toward a Green, Resilient and Inclusive Future*" IDA20 will support client countries to emerge on a greener, more resilient, more inclusive development path in line with the Green, Resilient and Inclusive Development (GRID) framework.**[56] To achieve this goal, IDA20 will work along three key dimensions:

a. ***Green*:** increasing climate finance and supporting countries to source nature-based solutions, transition key systems for low-carbon development, create green jobs, and green entire sectors, including finance.

b. ***Resilient***: supporting countries to strengthen crisis preparedness, bolster food security, tackle the drivers of Fragility, Conflict and Violence (FCV), address debt vulnerabilities, mobilize domestic revenue, build quality infrastructure, and seize long-term economic opportunities to sustain growth in a post-COVID-19 world.

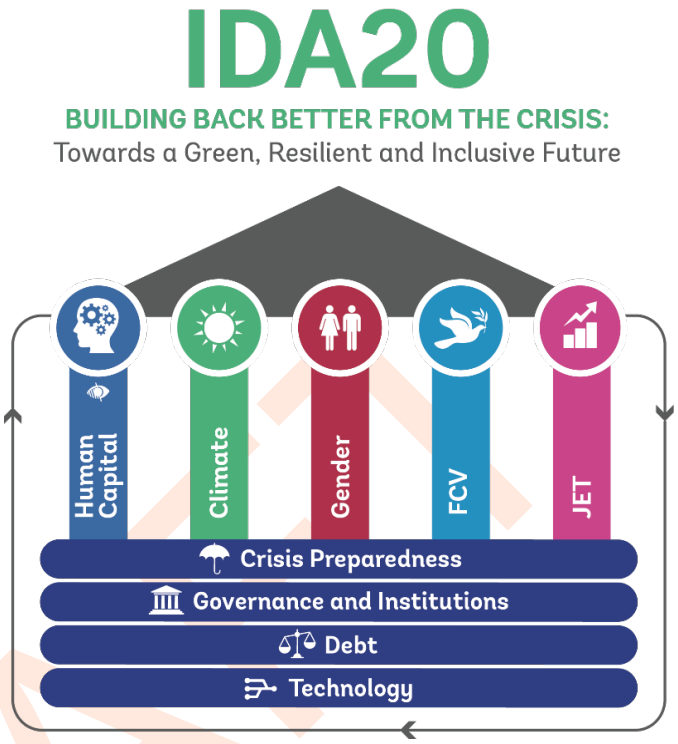
c. ***Inclusive***: supporting countries to address the needs of the poorest and most vulnerable, reduce structural inequalities, and mitigate rising FCV risks through policies and investments that build human capital, strengthen service delivery, close gender gaps, create jobs (including green and decent jobs), and narrow the growing digital divide.

45. **The IDA20 policy architecture builds on the strong foundation of IDA19, with enhancements to make IDA20 even more ambitious and fit for today's challenges.** Participants welcomed the continuation of *Climate Change, Gender and Development, Jobs and Economic Transformation (JET)*, and *Fragility, Conflict and Violence* as Special Themes, as well as *Debt*

[56] See also, World Bank Group. 2021. *From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID).* Washington, DC: World Bank Group.

and *Technology* as Cross-Cutting Issues, with greater ambition on each and a sharper focus on the most pressing issues IDA countries face today. Participants also welcomed several innovations. *Human Capital* is introduced as a Special Theme to anchor the significant efforts needed to build back better by strengthening systems essential to human capital, including health, education, and safety nets, and by focusing on inclusion, including disability inclusion (see Box 3.1.). *Crisis Preparedness* is introduced as a Cross-Cutting Issue to reflect the need for IDA countries to build greater resilience in a world where shocks occur more frequently with compounded effects. It provides the opportunity to elevate and bring together more cohesively IDA's significant and longstanding work on crises such as pandemics, natural hazards, food insecurity, as well as economic and financial shocks. *Governance and Institutions* moved from a Special Theme to a Cross-Cutting Issue to reflect its foundational role in sustaining progress across all Special Themes and the need to broaden this agenda. This policy architecture will enable IDA to deepen and scale up existing efforts, while adapting to the IDA20 context and supporting IDA countries to build back better in greener, inclusive, and more resilient ways to sustain long-term growth and development.

Figure 3. 1. IDA20 Overarching Theme



46. **Policy commitments are a critical component of IDA's value proposition and reinforce key priorities where IDA and its partners agree that specific attention is needed.** Policy commitments represent specific areas where IDA Management and Participants agree to prioritize special and emerging issues, push the frontiers, measure results, and bring both clients and other development partners along in the process. They help to ensure that IDA continues to provide global leadership on addressing the most important development priorities, and the associated actions are critical in driving systemic change and long-term results over consecutive replenishments. Importantly, policy commitments do not capture all the support IDA provides to address the needs and development priorities of clients. Indeed, the bulk of IDA support is agreed through the country engagement process focused on development outcomes, where the client and IDA together prioritize a package of services for maximum impact to help end poverty and promote shared prosperity in a sustainable way. The identification of policy commitments for each replenishment cycle, including the increasing level of ambition, is therefore also considering the realities, constraints, and absorptive capacities of clients in line with the World Bank's country-driven model. The IDA20 policy commitments are presented in Annex 2 and are discussed in the sections below.

Box 3. 1. Inclusion of Disadvantaged and Vulnerable Groups in IDA20

During recent IDA cycles, IDA operations have increasingly addressed the differentiated needs of disadvantaged and vulnerable groups and individuals, such as persons living in extreme poverty, in situations of fragility or displacement, minority ethnicities, or persons with disabilities. Operations have also increased the focus on other at-risk groups, including those living at risk of discrimination based on age, race, ethnicity, religion, and/or sexual orientation. The objective is to ensure equitable access to the benefits deriving from development project.

IDA20 will build on this work on inclusion, supported by corporate policies and commitments such as the Environmental and Social Framework (ESF), IDA20 policy commitments, and corporate WBG commitments, such as the Ten Commitments on disability-inclusive development (see Box 3.6). The IDA20 Results Measurement System will track and report on progress.

The work to safeguard against exclusion is primarily guided by the ESF, which puts in place strong provisions for universal access to Bank-supported operations, along with a tracking indicator. The ESF also requires IDA clients to look specifically at the exclusion issue as part of social assessments.

The IDA20 policy package provides a strong framework to sustain and further accelerate inclusion in key areas. This includes, but is not limited to, promoting universal coverage in health and education, including through equitable access to vaccines and strong foundations for learning, while supporting countries to build adaptive social protection systems that respond to the needs of the most vulnerable. IDA20 will also support countries to develop inclusive climate policies to take diverse viewpoints into consideration, including vulnerable populations, in line with the Climate Change Action Plan 2021-2025. IDA20 will advance the inclusion of persons with disabilities and of displaced populations and individuals through dedicated policy commitments. IDA20 will also seek to foster more inclusive financial systems and public services in Fragile and Conflict-affected Situations, and boost agricultural productivity, value chains and food security – including for disadvantaged and vulnerable groups.

B. CROSS-CUTTING ISSUES

47. **IDA20 will strengthen the foundational cross-cutting building blocks for sustainable development.** Participants welcomed the four priority Cross-Cutting Issues—*Crisis Preparedness, Debt, Governance and Institutions,* and *Technology*—as foundational areas of focus in IDA20, underpinned by targeted policy actions to deepen IDA's impact across dialogue, finance, and operations. The four Cross-Cutting Issues are mutually reinforcing and instrumental to making progress toward more inclusion, greater resilience to future shocks and a greener recovery.

i. CRISIS PREPAREDNESS

48. **In IDA20, the Crisis Preparedness Cross-Cutting Issue will accelerate support to countries to build resilience in a world of more frequent crises with compounded effects.** IDA20 will significantly step-up support to strengthen crisis preparedness in IDA countries through a multi-faceted approach and an enhanced toolkit with stronger incentives, a dedicated policy commitment under this Cross-Cutting Issue, and by mainstreaming crisis preparedness across Special Themes.

49. **Crises in IDA countries are often interconnected and produce overlapping consequences that can spill across borders.** The potential for diseases to spread is increasing, as is the risk of outbreaks escalating into epidemics or pandemics.[57] Similarly, the frequency and severity of natural hazards is set to increase in the future, affecting hundreds of millions of people each year.[58] In some countries, natural hazards, locust swarms and disease outbreaks have amplified vulnerabilities and are driving food and nutrition insecurity to unprecedented levels (see Box 3.2). Furthermore, economic and financial crises continue to affect IDA countries. Without making requisite investments in Crisis Preparedness, countries risk unexpected setbacks each time they face a shock, which undermines their longer-term development as well as regional and global progress.

50. **IDA has several comparative advantages that position it well to support countries to better prepare for crises.** First, *IDA stays engaged through the integration of short-term needs with longer-term goals*, maintaining a line of sight to longer-term development needs and structural reforms.[59] In doing so, IDA helps to integrate crisis risk management and resilience into development agendas and country systems. Second, *IDA helps countries invest in crisis-specific interventions* (e.g., strengthening physical infrastructure to better withstand the impacts of natural hazards and boosting COVID-19 vaccine rollout), as well as shock-agnostic investments that enhance readiness across different types of shocks (e.g., adaptive social protection systems). Third, *IDA's country-driven model facilitates tailored diagnostics and solutions and the ability to transfer knowledge globally*. IDA's broad cross-sectoral expertise and global reach allow it to provide an extensive range of support such as advisory services, risk assessments, financing, and project design across multiple sectors. IDA's unearmarked funds help clients to prioritize crisis preparedness investments that fit their country risk profiles, and to respond flexibly and at scale when crises occur. In addition, IDA's strong presence enables it to complement global expertise with local knowledge on crisis preparedness, especially in IDA FCS and Small States where best-fit solutions are critical.

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[57] *https://www.gavi.org/vaccineswork/5-reasons-why-pandemics-like-covid-19-are-becoming-more-likely.*

[58] *https://media.ifrc.org/ifrc/world-disaster-report-2020.*

[59] Compared to humanitarian actors that provide immediate relief during crises, IDA's mandate requires continued engagement in countries long after an emergency subsides.

Box 3. 2. Food and Nutrition Security

COVID-19 has dramatically increased the number of people facing food insecurity. Global hunger has been increasing since 2014—in IDA countries, one in six people were undernourished in 2019 compared to one in 10 worldwide. The World Food Programme estimates that 221 million people across 54 IDA countries are facing acutely food insecure (IPC3) conditions or worse, a 71 percent increase from 2019, with 41 million people in 43 countries at risk of falling into famine. By 2022, an estimated 9.3 million additional children will suffer from acute malnutrition, and 2.6 million children will be stunted.[a] The impacts are particularly acute in fragile and conflict-affected situations (FCS) that concurrently face multiple vulnerabilities.

Food and nutrition security has been an area of focus for IDA over the past decades. The World Bank is one of the largest sources of development finance for addressing food insecurity, with over $60 billion in financing since the 1980s, two-thirds of which come from IDA. IDA provided $5.8 billion in new commitments during FY18-20 for agriculture and social protection to address short-term and longer-term drivers of food insecurity. In FY21 new commitments increased to $10.6 billion, with an additional $9.5 billion projected for FY22. IDA's nutrition portfolio has grown significantly from $10 million in FY12 to $665 million in FY21.[b]

Supporting food and nutrition security will remain a priority in IDA20, with a focus on addressing drivers of food insecurity and strengthening food systems. IDA will continue engaging clients and development partners to address food security challenges, including through rapid country diagnostics and data-based monitoring instruments. As part of the policy package, IDA20 will help countries combat food insecurity and malnutrition due to food price increases, disruptions in food supply chains (due to market closures, interruptions in trade, transport and logistics services, etc.), health service disruptions and income losses. Support will also focus on longer-term drivers of food insecurity, including (i) repurposing of agricultural policies and support programs to accelerate the transition to more productive, resilient and sustainable food systems, (ii) promoting farming systems that are more nature- and climate-smart and produce a more diverse mix of foods, (iii) supporting resilient supply chains, (iv) reducing post-harvest food losses, (v) improving food safety and hygiene in food distribution channels, and (vi) better linking production and consumption centers. Furthermore, IDA will support investments in research and development to develop and disseminate technologies and practices that are climate-smart and enable increasing the micronutrient content of foods and raw materials, and advocate for policy and regulatory reforms to improve the efficiency and integration of domestic food markets.

IDA20 will strengthen the resilience of food systems and deliver expedited emergency support by fast-tracking financing through existing projects to respond to crisis situations. IDA financing deployed through Country Allocations and other sources of funds such as the Crisis Response Window's Early Response Financing and the Regional Window, will provide support from upstream resilience-building to post-crisis intervention. These will be complemented by Trust Funds to support analytical products, technical assistance and capacity building. A recent review by the Independent Evaluation Group affirms that the World Bank has supported client countries, particularly low-income IDA countries and FCS, to improve access to food and nutrition for their vulnerable populations.[c] IDA20 will build on the lessons learned to enhance effectiveness in supporting food security and nutrition.

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[a] International Development Association. 2021. *Cross-Cutting Issues in IDA20*. Washington, DC: IDA.

[b] The estimates do not include DPFs and are indicative.

[c] Independent Evaluation Group. 2021. *Food and Nutrition under COVID-19 Crisis: Lessons for Protecting the Vulnerable and Facilitating Recovery.* Washington, DC: World Bank Group.

Box continues on the next page

Box 3.2 *continued*

Partnerships remain key for IDA.[d] At the country level, IDA actively engages and coordinates with development partners. The World Bank's response to food security crises remains closely aligned with, and complementary to, the efforts of its partners, including as part of international coordination mechanisms such as the *Famine Action Mechanism*. IDA also partners with key actors around the humanitarian, development, and peacebuilding nexus in IDA FCS as conflict and crisis can also be drivers of food insecurity. On nutrition, the WBG is a founding partner of the Scaling Up Nutrition movement, with strong partnerships with bilateral partners, civil society, foundations, and United Nations agencies.

[d] A comprehensive list of IDA's partnerships can be found in the recent paper: World Bank. 2020. *Responding to the Emerging Food Security Crisis*. Washington, DC: IDA.

51. **IDA20 will build on IDA's extensive experience in Crisis Preparedness over past decades.** *First*, experience has shown that *sustained preparedness investments* are vital for effective responses when crises strike, and the benefits far outweigh the costs.[60,61] This entails strengthening key country systems through technical assistance, policy reforms, and investments, as well as adopting principles of country ownership and leadership. *Second*, helping countries better understand their crisis risks, potential impacts, and the key gaps in their crisis preparedness is vital for galvanizing policy dialogue around preparedness and creating entry points for subsequent investments and reforms. *Third*, building on successes in *mainstreaming crisis preparedness* for natural hazards,[62] Performance-Based Allocations (PBA) will continue to serve as the key vehicle to finance preparedness for other types of shocks. *Fourth*, *pre-arranged financing instruments* such as Contingency Emergency Response Components (CERCs)[63] and Disaster Risk Management Development Policy Financing (DPF) with a Catastrophe Deferred Drawdown Option (Cat DDOs)[64] have worked quite well to incentivize crisis preparedness,[65] as evidenced by the increased activation of such tools to rapidly channel financing during COVID-19. *Fifth*, a *whole-of-government* approach is needed to tackle crises with wide-scale spillovers.

[60] In the West Africa Ebola crisis, Nigeria—which had an epidemic response infrastructure—faced economic costs of $186 million. In contrast, Liberia, Sierra Leone and Guinea suffered $2.8 billion in losses despite being smaller countries. *https://resolvetosavelives.org/assets/Resources/ROI-Why-Preparedness-is-a-Smart-Investment.pdf.*

[61] See: Ozawa, S. et al. 2016. *Return on investment from childhood immunization in low- and middle-income countries, 2011-20*. *Health Affairs*, Vol. 35/2. and Chapagain, J. and A. Steer. 2020. *Preparing for the next crisis before it's too late*. July 6, 2020.

[62] IDA commitments for building resilience to natural hazards increased from less than one percent in 2009 to 15.1 percent in 2020, of which 70–75 percent was funded by PBA. Bangladesh is a salient example of how PBA was used for climate and disaster resilience enabled by sustained policy dialogue, backed by IDA financing and knowledge, especially given the threat of regular hazards such as cyclones and floods.

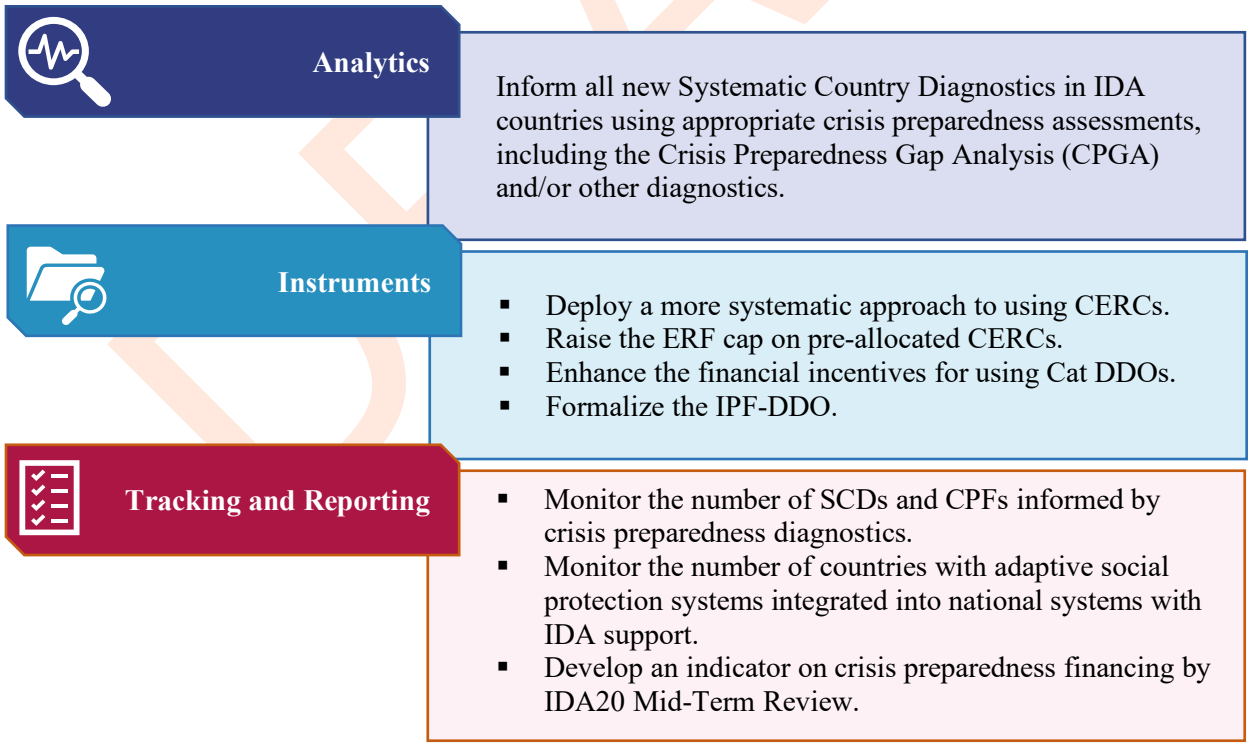
[63] The number of CERCs embedded in IDA IPFs has risen from only one CERC in FY11 to eighty CERCs in FY20. CERCs were a key mechanism for providing rapid support during COVID-19, with 51 CERC activations in FY20–21.

[64] From FY18–21, fifteen IDA DPFs with Cat DDOs ($675.8 million) were approved, of which eight ($237.3 million) were in FY20. Since FY20, twelve Cat DDOs ($463.5 million) have been drawn down for health emergencies such as COVID-19 and measles, as well as natural hazards. There are four more under preparation, showing the continued demand for this product.

[65] One example is the Cat DDO instrument that provides a 50 percent top-up in financing volume if a country funds it using IDA country allocations.

52. **The policy commitments are designed to support engagement with client countries to embed preparedness in core operations, through a holistic approach facilitated by an enhanced crisis toolkit that comprises analytics, financial instruments, and tracking and reporting systems.** To effectively incentivize crisis preparedness in a world of increasingly multidimensional and compounding shocks, IDA20 takes a multifaceted approach (see Figure 3.2). IDA's support will be underpinned by *strong analytics* to enhance clients' understanding of crisis risks, strengthen country ownership of the preparedness agenda and inform subsequent IDA programming**.** Such analytics are a crucial foundation as they pave the way for deepening country dialogue, as well as identifying key gaps and entry points for priority interventions. To this end, all new Systematic Country Diagnostics (SCDs) for IDA countries will be informed by appropriate crisis preparedness assessments, depending on the country's profile and circumstances. The choice of assessments may include the forthcoming Country Preparedness Gap Analysis (CPGA) and/or other diagnostics as relevant.68 FIDA will also deploy a suite of *enhanced instruments* to further incentivize crisis preparedness. This includes a more systematic approach to using CERCs; a higher Crisis Response Window (CRW) Early Response Financing (ERF) cap on pre-allocated CERCs; the Investment Project Financing with Deferred Drawdown Option (IPF-DDO); and improved incentives for Cat DDOs. In addition, there will be *enhanced tracking and reporting* of IDA's support for crisis preparedness that demonstrates the degree to which IDA and clients are managing for results. Annex 11 elaborates on the IDA20 incentive framework for helping clients fortify their preparedness to crises.

Figure 3. 2. Enhancements to IDA's Toolkit by Start of IDA20



53. **Productive partnerships are critical for effective and scalable preparedness solutions in IDA20**. Partnerships have been central to IDA's work. Recent initiatives include collaboration around vaccine readiness assessments with United Nations Children's Fund (UNICEF), World Health Organization (WHO), partnerships with COVID-19 Vaccines Global Access (COVAX) and Gavi, The Vaccine Alliance; as well as an innovative partnership with the African Vaccine Acquisition Trust (AVAT) to expedite vaccines access and deployment for up to 400 million people across Africa. Multi-donor trust funds such as the Global Facility for Disaster Reduction and Recovery, the Global Financing Facility, the Global Risk Financing Facility (GRiF) and the Japan-World Bank Program for Mainstreaming Disaster Risk Management are other examples. IDA20 will continue to strengthen such partnerships to enhance effectiveness and coordination around crisis preparedness and response.

54. **In addition to its country-specific support to IDA countries dealing with natural disasters, IDA has been supporting the long-term sustainability of regional risk pools as they expand and develop**. To date, IDA's financial support has been instrumental in assisting countries to pay premia to the Caribbean Catastrophe Risk Insurance Facility, the Pacific Catastrophe Risk Insurance Company, and the South East Asian Disaster Risk Insurance Facility, leveraging both country and regional IDA allocations. The catalytic effect of having 3–4 years' worth of secured premium financing can help extend or establish new innovative products to meet countries' needs, potentially benefiting other countries. Further, IDA financing complements risk pools through continued support to invest in better crisis preparedness and risk reduction. Looking ahead, IDA20 will continue to support risk pools and explore possibilities to increase financial protection against crises. This could include enhanced coverage that draw further on IDA country allocations if this is prioritized in country programing. Special attention will be given to initiatives that incentivize risk reduction while increasing financial protection. The GRiF can also act as a vehicle to increase collaboration with risk pools, such as by enabling their member countries to access cost-effective financial solutions.

55. **Through a dedicated IDA20 policy commitment, WBG country programs in all IDA countries will provide technical and financial support to strengthen crisis preparedness.** This may entail technical assistance to support the capacity of key country systems for crisis preparedness, as well as financial support for targeted reforms and investments in crisis preparedness. Such support will be informed by appropriate crisis preparedness assessments to prepare for and respond to shocks, including the forthcoming CPGA and/or other relevant diagnostic tools. As IDA countries face a range of shocks from natural hazards to pandemics to food insecurity, this policy commitment is meant to cover different types of crises. It also facilitates country choice and does not mandate specific types of crisis preparedness interventions, as that would depend on IDA countries' respective risk profiles, capacity gaps and policy priorities.

Crisis Preparedness Cross-Cutting Issue Policy Commitment

1. ***Strengthening crisis preparedness****: WBG country programs in all IDA countries will provide technical and financial support to strengthen crisis preparedness. Such support will be informed by appropriate crisis preparedness assessments, such as the Crisis Preparedness Gap Analysis (CPGA) and/or other relevant diagnostic tools.*

56. **This policy commitment complements the integrated approach to crisis preparedness and related commitments embedded across the IDA20 Special Themes.** Under the *Human Capital Special Theme*, IDA20 will support IDA countries' efforts on strengthening health systems, expanding adaptive social protection and building resilience to shocks, as well as supporting pandemic preparedness through multi-sector investments that encompass a "One Health" approach. Under the *Climate Change Special Theme,* IDA20 will strengthen institutional and planning frameworks and/or physical infrastructure to fortify IDA countries' crisis preparedness and response capacity. This support will entail improving climate data and information services. Under the *JET Special Theme*, IDA20 will support strengthening of countries' capacity to conduct early supervisory analysis and actions, private debt workouts, orderly bank resolution; manage climate change risk and provide sustainable finance; develop crisis risk finance policies/strategies; and finance the real economy. Under the *FCV Special Theme*, addressing crisis preparedness will remain a critical part of IDA20 engagement for IDA FCS with a commitment to strengthen regional crisis risk preparedness and mitigation, together with key relevant partners. Under the *Gender and Development Special Theme*, IDA20 will help countries incorporate productive economic inclusion programs, which can support women in climate-affected sectors like agriculture, forestry, and fisheries to adapt with more resilient skills and knowledge for sustainable livelihoods. Relatedly, IDA20 will also work towards expanding women's land rights through World Bank operations in post disaster reconstruction and recovery, supporting crisis preparedness where possible.

ii. GOVERNANCE AND INSTITUTIONS

57. **The COVID-19 crisis exposed weaknesses in the core governance systems.** Governments in IDA countries have experienced enormous strain to swiftly implement containment measures, respond to surging demands for health care services, manage large-scale vaccination campaigns, deliver offsite/remote education services, and scale-up social protection programs. Challenges include uneven planning, regulatory and implementation capacity, as well as suboptimal structures for policy coordination at national and subnational levels. The crisis has also amplified liquidity constraints and impeded efforts for allocative and spending efficiency, fiscal sustainability, and institutional accountability and transparency.

58. **In IDA20, the Governance and Institutions Cross-Cutting Issue will deepen support for capable, inclusive, and accountable public administration.** In IDA20, the Governance and Institutions Cross-Cutting Issue will serve both as an enabler and a cross-cutting foundation for IDA's effective investments in a green, resilient, and inclusive recovery. IDA20 will build on the strong progress made in IDA19 and will deepen commitments that reinforce fiscal sustainability and accelerate digital governance to improve service delivery, statistical capacity, and institutional strengthening. This work also links closely with the Debt Cross-Cutting Issue, under which IDA will deepen progress made thanks to the IDA19 Sustainable Development Finance Policy (SDFP).

59. **Domestic Resource Mobilization (DRM) remains an important focus in IDA20.** IDA countries will need to generate significant fiscal space to fund investments in human capital and green infrastructure given the ongoing impacts of the crisis (see Box 3.3), while also encouraging sustainable economic transformation through competitive business environments. Concurrently, tax systems need to contribute to a level playing field to encourage voluntary compliance and formality. To this end, and in line with the World Bank's broader approach to DRM, IDA20 will support countries in reshaping their tax systems to promote greater fairness and progressivity, transparency, and streamlined taxpayer services, while reducing opportunities for corruption. In particular, IDA20 will deepen support for policy reforms and modernize administrative systems to broaden tax bases, enhance progressivity and address corporate tax avoidance and evasion, thereby achieving income and wealth redistribution and creating inclusive economies that put people at the center, leading to better GRID and SDGs outcomes. Building on the experience under the WBG's pilot Innovations in Tax Compliance program, IDA will bolster tax compliance through innovative measures that promote facilitation, enforcement, and building trust.[66] More equitable and efficient tax policy and administration systems will enable IDA countries with persistently low tax revenues to generate resources to finance their crisis response and recovery while limiting debt burdens and fostering a healthy business environment that creates jobs and improves livelihoods.

[66] These include specific efforts in the following areas: fostering quasi-voluntary compliance through trust-building, strengthening fiscal contracts, greater tailoring of administrative reform approaches to local circumstances, and navigating the political challenges of reform

Box 3. 3. State of Tax in IDA Countries

The COVID-19 pandemic has exacerbated pre-existing Domestic Resource Mobilization (DRM) challenges in IDA countries. Tax Revenue as a percentage of Gross Domestic Product (GDP) for IDA countries has been rising over the years with a reversal in 2020 due to the economic shock from COVID-19. The average tax-to-GDP ratio of IDA countries in 2020 was 15.5 percent, which is nearly 5 percentage points (pp) below that of IBRD countries and 8 pp lower than in advanced economies. While the average tax-to-GDP ratio had reached 15 percent in 2017 and in 2019, taxes in about half of IDA countries (49 percent) remain below this threshold, falling short of what is needed to fund basic state functions. A much larger share (70 percent) of countries in fragile and conflict-affected situations do not meet this threshold for tax revenues.

Figure B3.3. 1. Tax revenue and Log GDP per capita for IDA Countries

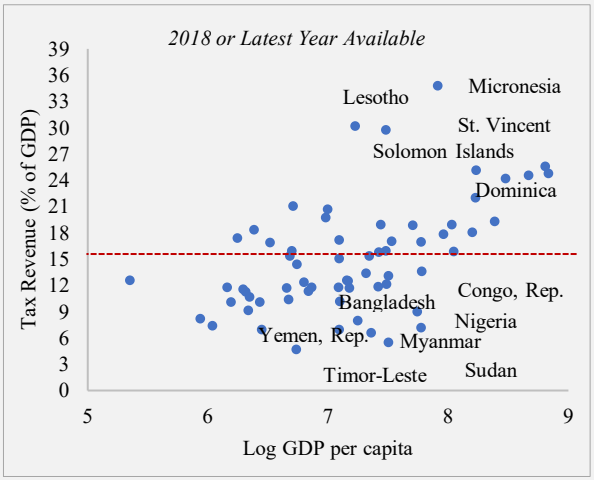
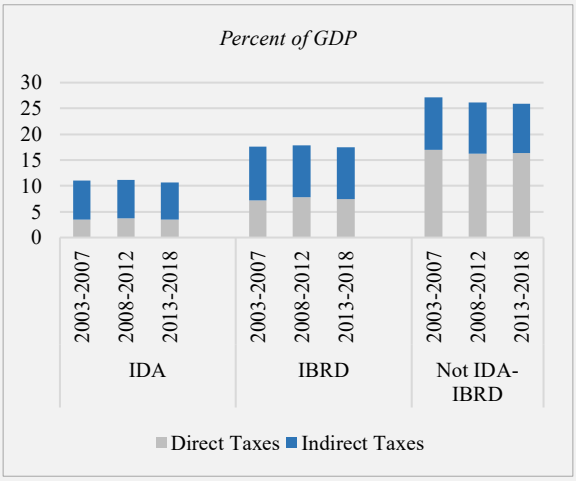


Figure B3.3. 2. Direct and Indirect Tax Revenue



Tax revenues in IDA countries are not only low but their composition is also skewed toward indirect taxes with direct taxes contributing only 35 percent of the total revenue collection in 2018. In the case of IBRD countries, this is nearly 45 percent while it is above 60 percent for advanced economies. This means that IDA countries have been funding their expenditures largely from regressive indirect taxes as compared to more progressive direct taxes. The composition of the tax revenues reflects government policies and institutional capacity as well as the underlying nature of the economy that generates tax handles (i.e., convenient points where the government can collect the tax). In countries with less formalized (and corporatized) economies, such tax handles to collect direct taxes are fewer than for indirect taxes. For example, a significant amount of direct taxes in developed countries are collected by wage withholding from employers in the organized sector the size of which is much smaller in IDA countries. Despite these drawbacks, there is a need to address this over-reliance by IDA countries on regressive taxes.

Note: *Data for 2019 and 2020 has been limited and hence strict comparability with respect to 2018 and earlier is difficult.*

60. **IDA will redouble its efforts to tackle illicit financial flows (IFFs), including by addressing corruption.** Tackling IFFs has significant consequences for resilient recovery. The opaque and often destabilizing transfer of capital strips governments of much-needed resources for financing their development priorities. IFFs also undermine trust and the rule of law, further inequities and give rise to other negative impacts through the underlying activities that generate them, such as government decisions distorted by corrupt practices or state capture of resources. IDA20 will scale up support for countries' reform efforts to combat IFFs by assisting in designing and implementing comprehensive risk-based approaches and mitigation plans following a whole-of-government approach. IDA20 will also support stronger beneficial ownership frameworks and tax-related exchange of information to enhance transparency, facilitate fairer and more progressive taxation. IDA20 will also promote stronger public accountability mechanisms, such as conflict of interest management systems, income and asset declarations, and institutions of oversight. Investing in these reform areas will strengthen countries' capacity to fight corruption, money laundering, and other sources of illicit financial flows.

61. **Technology and innovation will play a key role in strengthening government capability in IDA20.** IDA20 will build on IDA19 efforts on universally accessible GovTech to continue to leverage technology for strengthening service delivery, core government operations, and government-citizen interaction.[67] The COVID-19 crisis accentuated the need for accessible sector-based services (health, education, and social protection services) and administrative government services, including for those with disabilities. IDA20 will enhance focus on accessible, secure, and inclusive digital technologies and GovTech solutions. These investments will remain critical for strengthening fiscal capability, service delivery, and crisis preparedness and response. GovTech solutions such as cloud-based platforms for remote government can ensure business continuity and data recovery during disasters and crises, as well as support emergency response and communication systems.

62. **IDA will seek to foster more inclusive governance by strengthening platforms for greater social accountability and citizen engagement.** IDA20 will continue to further sharpen focus on citizen engagement by supporting better integration of gender and social inclusion considerations in all stages of fiscal planning and budgeting. Well-planned fiscal policy and budget systems are central for achieving strategic priorities such as inclusive governance and gender equality. IDA20 will help countries foster inclusive governance and institutions through reforms that incorporate principles of equity into the management of financial resources and public investments. Gender responsive budgeting also involves economic modelling to better understand and address the impacts of fiscal policy on multiple stakeholders and gender equality outcomes.

63. **Participants welcomed the foundational IDA20 policy commitments under the Governance and Institutions Cross-Cutting Issue.**

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[67] Universally accessible GovTech services, which include the modality and content of services, require that services are designed in a manner that can be accessed, understood, and used by all persons regardless of disability, age, use of assistive devices, location, or internet access. It applies to hardware, such as electronic kiosks, touch screen interfaces, and software components—websites, electronic documents, forms, e-portals, multimedia.

Governance and Institutions Cross-Cutting Issue Policy Commitments

1. ***Increasing debt transparency:*** *Support 50 IDA countries in publishing comprehensive public and publicly guaranteed debt reports or fiscal risk statements.*

2. ***Improving domestic resource mobilization:*** *Support 15 IDA countries to bolster their domestic resource mobilization capacity through equitable (fair and progressive) revenue policies (as verified using fiscal incidence analysis or other methods) toward achieving a tax-GDP ratio of at least 15 percent in the medium term.* [a]

3. ***Enabling digital government services:*** *Support at least 15 IDA countries to adopt universally accessible GovTech policies, regulations, or solutions to enable secure digital government services.*

4. ***Combatting illicit financial flows:*** *Support at least five IDA countries to conduct comprehensive IFF assessments and prepare action plans. Also support at least 20 IDA countries to undertake policy actions that tackle corruption, money laundering, and/or tax evasion to reduce IFF, such as strengthening public accountability mechanisms, increasing access to and awareness of beneficial ownership information, and/or adopting automatic exchange of information to reduce tax evasion.*

Note:
a *Revenue policies include tax administrative policies, including those that seek to improve and introduce new tax compliance measures. The concept of equitable DRM has two dimensions: (1) fairness (taxpayer with similar income or property should be treated similarly); and (2) progressivity (contribution according to taxpayers' ability to pay).*

64. **Beyond these policy commitments, commitments related to the Governance and Institutions Cross-Cutting Issue are embedded across the IDA20 Special Themes.** Under the *Human Capital* Special Theme, IDA20 will mobilize, allocate, and spend public funds more efficiently and effectively to maximize investments in people. The *Gender and Development* Special Theme will support countries' efforts on making fiscal policy and budget systems more inclusive and gender responsive, including through budget reforms, removing discriminatory provisions from tax legislation and/or monitoring the effectiveness of public spending for equality policies. Under the *Fragility, Conflict and Violence* Special Theme, IDA20 will deepen engagement on strengthening core institutions in IDA FCS with special attention to effective and inclusive service delivery to support resilience and vulnerable groups and individuals. The *Jobs and Economic Transformation* Special Theme will support IDA countries in identifying the governance constraints to the development, financing, and delivery of quality infrastructure investments and support institutional capacity to improve data for policy decision-making.

iii. DEBT

65. **The COVID-19 crisis is increasing IDA countries' financing needs and therefore public borrowing, while weakening their economic performance and capacity to service and repay public debt.** Debt vulnerabilities in IDA countries were rising well before the onset of the COVID-19 crisis, with rising public debt levels and increasing reliance from non-concessional external financing.[68] The crisis has led to large fiscal and current account deficits with public gross

[68] Public debt levels rose from an average 40 percent of GDP in 2010 to around 54 percent by 2019.

financing needs in IDA countries averaging 11 percent of Gross Domestic Product (GDP) in 2020, up from an average of about 7 percent of GDP from 2015 to 2019. Overall and external financing needs are expected to remain high over the next few years as countries respond to the crisis, while also facing large debt servicing. IDA countries' capacity to service and repay elevated public debt is expected to recover only slowly, with GDP, revenue, and exports remaining below their pre-COVID-19 trajectories.

66. **IDA plays a key role in a global coalition to address debt vulnerabilities in IDA countries, by participating in the G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for debt treatment, in close collaboration with the IMF.** The DSSI, extended until end-2021, has provided 47 IDA countries with $10.3 billion in debt service suspension between April 2020 and June 2021, creating much needed liquidity and fiscal space to address the COVID-19 crisis.[69] During that period, for the DSSI-eligible countries, IDA has provided $48.4 billion in total commitments, resulting in $27.2 billion gross disbursements, and $22.7 billion in net transfers. Beyond the DSSI, the G20 endorsed the Common Framework at the end of 2020 to provide debt treatment, including net present value reductions if necessary.[70] These initiatives complement IDA's ongoing support to countries to confront their debt vulnerabilities through a comprehensive policy toolkit comprising the World Bank-IMF Multi-Pronged Approach; IDA19's set of interrelated policy commitments covering debt transparency, DRM and infrastructure governance; and the Performance and Policy Actions (PPAs) being implemented through IDA's Sustainable Development Finance Policy (SDFP). During its first year, the SDFP also supported the implementation of the DSSI, aiming at monitoring spending, enhancing public debt transparency, and ensuring prudent borrowing, as well as proactively contributing to efforts in the context of the ongoing Common Framework. In addition, for greater transparency, the World Bank released the DSSI webpage which offers a country-by-country accounting of DSSI participants and the amounts they owe to creditors based on information from the World Bank's International Debt Statistics (IDS) database.

67. **Debt will be an important Cross-Cutting Issue in IDA20 to further address public debt vulnerabilities in a comprehensive and integrated manner, reinforcing the SDFP.**[71] The rollout of the SDFP in IDA19 has been instrumental in elevating the policy dialogue on debt and mainstreaming debt issues into IDA's country programs and its policy dialogue with clients. Debt transparency efforts have been enhanced by sharpening/expanding tools for data disclosure

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[69] Based on WBG IDS data, the DSSI extension through January to December 2021 is estimated to provide $12.6 billion of additional debt service suspension from the same group of creditors for 47 participating countries as of end-June 2021.

[70] The Common Framework applies to the same 73 countries that are eligible to participate under the DSSI. It aims at providing debt treatments, to low income countries with significant debt vulnerabilities and deteriorating outlook. The Common Framework has broad creditor coverage including all G20 and Paris Club Creditor, bilateral creditors and private creditors. Both the Common Framework and DSSI are supported by World Bank and IMF. The World Bank and IMF's role will be critical in ensuring debt treatment is grounded in sound analytics, while also having an important role in providing sufficient concessional financing to participating countries during the debt treatment phase. As of end June 2021, three countries (Chad, Ethiopia and Zambia) have requested a Common Framework treatment.

[71] *https://ida.worldbank.org/debt/sustainable-development-finance-policy*

and reporting,[72] including the World Bank's recent launch of a fiscal risk tool and the debt reporting heatmap as well as domestic debt securities heatmap to monitor improvements in public debt reporting. At the same time, the publication of an enhanced World Bank IDS database has increased transparency on financing to IDA countries.[73] Enhanced public sector debt transparency enables borrowers and lenders to effectively evaluate debt sustainability and make informed borrowing and lending decisions. It also supports the effective pricing of debt instruments and the reduction of risk and could thereby stimulate private investment. The IMF and the World Bank are engaged in extending the sectoral and instrument coverage of their debt statistics and reports, including in Debt Sustainability Analyses (DSAs).[74] With the crisis further accentuating debt vulnerabilities, IDA20 will build on these achievements to support countries' efforts toward a sustainable debt path.

68. **Building on the substantial progress made in IDA19, IDA20 will deepen support in the areas of debt management, fiscal sustainability, and debt transparency, including through the SDFP**. The SDFP addresses debt sustainability, debt transparency and fiscal sustainability challenges in a systematic way over a longer-term horizon, based on country dialogue, analytics, financing, and technical assistance. Drawing from lessons from the first year of implementation (see Box 3.4) and early evaluation feedback in IDA20 the SDFP will continue to strengthen, incentivize, and deepen reforms aimed at reducing debt vulnerabilities and advance creditor collaboration and dialogue toward sustainable financing.[75] Management will also carry out a comprehensive review of the implementation of the SDFP as part of the IDA20 Mid-Term Review.

Box 3. 4. Lessons from Implementation of the Sustainable Development Finance Policy

Through the Sustainable Development Finance Policy (SDFP), IDA has adopted a more systematic dialogue on debt issues at the country-level, elevating discussions on debt vulnerabilities in IDA countries. Compared to the past, this dialogue ensures robust and in-depth discussions with countries on their key debt vulnerabilities, drivers of debt accumulation and debt management as a whole. The dialogue is underpinned by rigorous analytics, and actions tailored to country-specific circumstances.

Box continues on the next page

[72] As collateralization is a standard practice for many types of private-sector financing, systematic recording on the collateral transaction is important going forward.

[73] The IDS provides additional information on stocks and flows by creditor for each borrowing country. This has supported the release of a DSSI webpage providing country-by-country accounting of DSSI participants and amounts owed to creditors.

[74] Efforts are underway to (i) update the IMF's Public Sector Balance Sheet database with the latest data on assets and liabilities of the public sector and subsectors, (ii) expand the coverage of the countries included in the database, (iii) expand and improve coverage of sub-sectors and debt instruments of the public sector for countries already in the database; and (iv) enhance support for compilation of balance sheet data of the general government through the Financial Sector Stability Trust Fund

[75] See World Bank. 2021. *Sustainable Development Finance Policy (SDFP) of the International Development Association: early findings from the first year of implementation.* Washington, DC: World Bank, and Independent Evaluation Group. (forthcoming) *IDA's Sustainable Development Finance Policy: An Early-Stage Evaluation.* Washington, DC: World Bank.

Box 3.4 *continued*

The SDFP contributes toward mitigating the rise in debt vulnerabilities in many IDA countries. The design of the policy has shown strong focus on mitigating core debt vulnerabilities, while flexibly adapting to country circumstances, especially in the context of the COVID-19 pandemic. Concrete actions have been taken to help mitigate against debt vulnerabilities in 55 IDA countries over the course of FY21. Performance and policy actions (PPAs) under the SDFP support IDA's efforts to 'institutionalize' within country systems policy actions for enhanced debt management, debt transparency and fiscal sustainability. Out of 55 countries required to prepare PPAs in FY21, 93 percent satisfactorily implemented their PPAs during the course of the fiscal year.

As a result of the SDFP, 33 IDA countries that prepared PPAs periodically produce and publish annual debt reports or/and quarterly debt bulletins as a result of the SDFP. Similarly, six countries have strengthened their public investment management regulations; and ten have started to perform annual fiscal risk assessments to inform fiscal policy decisions.

The SDFP supports and complements other Bank activities and debt related initiatives. In most countries, the SDFP leverage planned or ongoing advisory and financing operations, such as Technical Assistance and Development Policy Financing. During its first year of implementation, the SDFP also supported the implementation of the Debt Service Suspension Initiative (DSSI), aimed at concentrating countries' resources to fighting the pandemic and safeguarding lives and livelihoods. In line with the DSSI objectives, the SDFP supported actions aimed at monitoring spending, enhancing public debt transparency, and ensuring prudent borrowing.

PCO activities provide a platform for exploring further collaboration with MDBs and bilateral partners. IDA, in coordination with the IMF, participates in discussions with the OECD presenting the key features of the SDFP and how debt ceilings are being established and coordinated between the two institutions. Regular engagements with other multilateral development banks (including African Development Bank and Asian Development Bank) have also taken place. IDA has also engaged with non-traditional creditors, including through the jointly organized high-level workshop on Sustainable Lending Practices with the Multilateral Cooperation Center for Development Finance, and the Debt Management Facility Stakeholders' Forum, which includes representatives from the European Investment Bank, the Arab Fund, and the Kuwait Fund, amongst others.

69. **Support on public debt management has been mainstreamed into World Bank operations and country dialogue to address vulnerabilities in a comprehensive manner.** The World Bank has provided substantial debt management technical assistance to IDA countries, much of it through the Multi-Pronged Approach implemented with the IMF and partly funded by the Debt Management Facility, a multi-donor trust fund. Support under the MPA comprises institutional and operational aspects of debt management, developing debt management strategy, enhancing debt transparency, managing fiscal risks, and developing domestic debt markets. FCS receive more than 20 percent of TA provided, given their institutional and capacity challenges. The World Bank's technical assistance on debt is systematically coordinated with regional development partners and supported by continuous policy dialogue between the country teams and clients, guided by DSAs, Medium Term Debt Management Strategies, Debt Management Performance Assessments and Domestic Debt Market Development missions. Debt management considerations have also been increasingly integrated into World Bank operations and systematic country dialogue, supported by the SDFP, the Multi-Pronged Approach, and enhanced cooperation

between technical and country teams. Such continuous engagement and interaction with IDA countries, including FCS, will continue to deepen in IDA20.

70. **The SDFP offers incentives to countries with debt vulnerabilities to improve debt management by linking core allocations and grant allocation framework to their performance and policy actions on debt.** The SDFP provides robust incentives for IDA countries to make improvements toward a sustainable borrowing path by linking core allocations with their performance in meeting the agreed policy actions implemented on an annual basis. Where these are not met, a share of the country's allocation is set aside, with grant recipient high-risk countries having a 20 percent set-aside and those at moderate-risk or with a Market Access Countries-DSA a 10 percent set-aside. Unsatisfactory implementation of PPAs for two consecutive years results in loss of the set-aside amount. Management also has the option to harden IDA financing terms when a country repeatedly fails to satisfactorily implement its PPAs or if the existence of other country policies and actions undermine the achievement of agreed PPAs. In particular, repeated unsatisfactory implementation of PPAs, particularly those that include debt ceilings, may lead to the combined application of both set-asides and hardening of financing terms.

71. **Through the SDFP and IDA's toolkit of financing instruments and Advisory and Services Analytics, IDA continues to support countries' progress toward achieving fiscal and debt sustainability.** DPFs play a key role in supporting reforms in IDA countries, in particular through policy and institutional actions that improve public finance and debt management that support the maintenance of an adequate macro framework including sustainable borrowing policies. Compared to the past, the SDFP allows IDA to engage in more in-depth discussions around countries' key debt vulnerabilities and drivers of debt accumulation. Annual discussions on PPAs are now a key component of the dialogue at the country level. Similarly, the non-concessional borrowing ceilings implemented through the SDFP help ensure that IDA countries access sustainable and affordable finance through highly concessional sources thus avoiding the accumulation of debt vulnerabilities and risks. These ceilings, along with broader efforts to improve debt transparency, provide clear signals to lenders on countries' ability to meet external obligations and requirements for financing on adequate terms and volumes.

72. **A key priority in IDA20 will be to deepen engagement through the Program of Creditor Outreach (PCO), including through better information sharing among creditors.** During IDA19, activities under the PCO have focused on sharing IDA's experience in implementing the Debt Sustainability Enhancement Program, aligning the application of non-concessional borrowing policies with other MDBs, and deepening engagement with creditors. To this end, IDA facilitated a High-Level Roundtable on Sustainable Development Finance on September 28, 2021, which included Paris Club, Non-Paris Club creditors, MDBs and the private sector. Going forward in IDA20, the PCO priority is to make further progress on ensuring consistent signaling among creditors on sustainable debt practices at the country level; promoting improved lending and grant policies and practices by creditors, including on debt and fiscal transparency; strengthening information sharing on debt policies and initiatives; and coordinating debt management technical assistance at the country level. In addition, Management will provide updates to the Board, including by elaborating on strategic directions and overall goals of the PCO, including on country level activities after further implementation of the program, as part of the SDFP Updates to the Board.

73. **IDA20 will also focus on supporting more comprehensive reporting of public and publicly guaranteed debt and the publication of fiscal risk statements to boost the quality and comprehensiveness of targeted outcomes.** Due to low initial capacity, enhancing debt transparency and improving fiscal risk assessments require long-term, sustained, programmatic assistance to put in place effective legal frameworks and institutional arrangements. Building on gains made in IDA19, IDA20 will further advance this agenda through both the Debt and Governance and Institutions Cross-Cutting Issues by shifting the focus from publishing debt reports to enhancing their quality and coverage. This will include additional subsectors, coverage of State-Owned Enterprises, and comprehensive fiscal risk statements that help mitigate key debt vulnerabilities and risks. The SDFP will play a key role in galvanizing such actions and incentivizing sustainable financing in IDA countries, while strengthening the quality of debt reporting and debt transparency.

iv. TECHNOLOGY

74. **The COVID-19 crisis underscores the urgency to address the digital divide and accelerate the adoption of transformative technology in IDA countries to kickstart a green, inclusive, and resilient recovery.** Access to digital connectivity remains severely limited in IDA countries. While mobile coverage has expanded rapidly on a global level, IDA countries are far behind, with mobile internet penetration rates of 32 percent as of 2021 Q2, compared to 66 percent for other countries. Challenges related to access, skills gaps, and affordability contribute to low usage levels in IDA countries. With continued uncertainty regarding the depth and duration of the crisis, digital technologies will remain critical to support crisis response and resilience, with measures such as telemedicine and digital platforms for vaccine administration, social safety net, remote education and learning, mobile payment systems, etc. Beyond ensuring continuity in crisis, improving digital connectivity and technology solution will remain essential for boosting economic growth, productivity, and job creation in the long-term.

75. **Through the Technology Cross-Cutting Issue, IDA20 will help integrate digital technology into development solutions to build resilience and support long-term growth in IDA countries.** IDA19 supported a large portfolio of digital transformation operations in IDA countries, for instance, through the *Digital Economy for Africa* initiative, with key reforms and public investments in infrastructure, financial services, and entrepreneurship. IDA20 will build on these efforts and to further accelerate digital transformation, IDA20 will focus on holistic and ecosystem approach bringing together global knowledge, cross-sector expertise, and financing to support countries to build foundational digital infrastructure and the specific applications needed for key sectors of the economy to thrive. IDA20 will also help mitigate the risks of digital exclusion and support the creation of reliable, cyber-secure data systems.

76. **Technology will serve as a "connective tissue" across the IDA20 Special Themes and the overall IDA portfolio.** Under the *JET Special Theme*, IDA20 will go beyond access to technology to further address issues of affordability, usage, and inclusion. Addressing the gaps exposed during the crisis, IDA20 will focus on expanding the adoption and upgrading of digital technologies in private sector to spur recovery and transformation. Under the *Human Capital Special Theme*, IDA20 will support adaptive social protection systems through increased access to official digital ID and civil registration systems. IDA20 will also support disability inclusion by

enabling universal access to digital services supported by IDA, as well as in education, health, social protection, water, urban, and transport sectors. IDA will also promote the resilience and crisis preparedness of education systems by strengthening learning continuity through integration of technology for remote and hybrid or blended learning, improvement of learning environment outside school doors, and investments in climate-resilient educational infrastructure at scale. Under the *Gender and Development Special Theme,* IDA20 will merge and deepen two IDA19 policy commitments to increase ambition and address persistent gender gaps in the access and use of technology, through increased coverage in sectors such as agriculture and finance using bundled interventions. Under *FCV Special Theme*, technology and digital solutions will support implementation, monitoring, and supervision in IDA FCS, especially in highly insecure settings. Under *Governance and Institutions Cross-Cutting Issue,* IDA20 will support countries to make progress on GovTech policies, regulations, or solutions to enable digital government services.

77. **As IDA countries embrace digital transformation, they are facing emerging threats to cybersecurity and data privacy.** Risks relating to data protection, privacy and cybersecurity are growing rapidly with digitalization, and are further compounded by lack of adequate legal frameworks and institutional capacity in many IDA countries (see Box 3.5). IDA20 will support countries to develop and strengthen reliable cyber-secure data systems by integrating assessment of cybersecurity risks across operations and strengthening government capacities to manage these risks. IDA's support will assist countries to formulate appropriate legal and regulatory frameworks, build systems and institutional capacity for cybersecurity and data protection, and provide the training and investments needed to strengthen resilience against cyberattacks.

Box 3. 5. Cybersecurity/ Data Privacy

The cybersecurity agenda in IDA countries is relatively nascent, with little capacity and expertise to deal with emerging risks. IDA countries operate a large and rapidly growing array of systems, networks, and critical infrastructure, many of which have been designed during early years of the digital revolution. These systems across sectors such as energy, transport, finance, health, etc. remain highly vulnerable to cybersecurity attacks with potentially serious consequences.

The exposure to risks is growing with increasing number of devices and users, as penetration of digital technology into everyday life is creating more opportunities and vulnerabilities for cyberattacks. The *World Development Report 2021: Data for Better Lives*[a] emphasized the pressing need for all countries to establish new social contracts to guide the appropriate use of data. Best practices are emerging, and IDA support will be critical to support countries in building reliable, cyber-secure data ecosystems based on trust.

IDA20's focus on risks related to cybersecurity, data privacy and governance - cutting across all Special Themes and Cross-Cutting Issues - will significantly strengthen these efforts. This will include mainstreaming of cybersecurity diagnostics as part of a project's cycle and development of capacity building instruments (including awareness activities, training programs and staff up-skilling). The work around operationalization of the 2021 World Development Report and building reliable data ecosystems will tackle the issues of data infrastructure (including cloud, international and regional connectivity), data protection, data-sharing and pooling structures, digital transformation, and adoption of digital by households and businesses.

[a] World Bank Group. 2021. *World Development Report 2021: Data for Better Lives.* Washington, DC: World Bank Group.

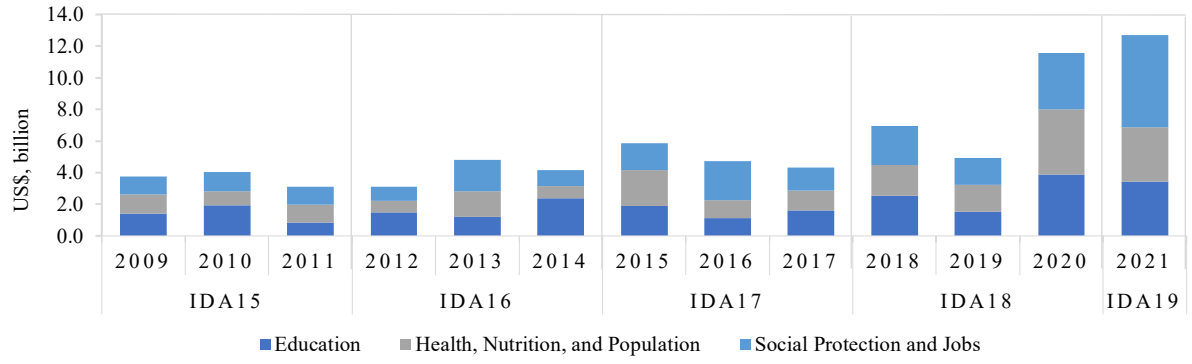
C. SPECIAL THEMES

78. **IDA's Special Themes focus attention on select issues that are essential to enable IDA countries address the immediate and long-term development priorities.** Participants encouraged IDA to provide intense and systematic focus on the five Special Themes—*Human Capital, Climate Change, FCV, Gender and Development*, and *JET*. These Special Themes constitute a framework for prioritizing select issues, pushing the frontiers, and measuring results. The five Special Themes build on IDA's comparative advantage and track-record in previous IDA replenishments in catalyzing change in the global community and reaching the poorest and most vulnerable populations. Innovations to Special Themes in IDA20 will serve to further increase IDA's ambition and sharpen its focus to ensure a green, resilient and inclusive future for all.

i. HUMAN CAPITAL

79. **For decades, IDA has focused on investing in people through nutrition, health care, quality education, jobs and social protection, and skills, but more is needed to arrest declines in human capital and to help countries recover from the COVID-19 crisis.** IDA's Human Capital Special Theme builds on a strong foundation of longstanding World Bank support of countries' efforts to create human capital, and over the years, IDA's support to countries' investment in Human Capital has substantially increased (see Figure 3.3). As a Cross-Cutting Issue under IDA19, the focus on Human Capital was further enhanced and related commitments have supported countries to mitigate the impact of COVID-19 and accelerate the positive pre-crisis trajectory toward better human capital outcomes. Given the extraordinary impacts of the COVID-19 crisis, significant additional investments and reforms are now needed to strengthen systems that deliver services that improve human capital outcomes. By deepening the implementation of and drawing on the experience from the Human Capital Project and the accompanying regional plans, notably for Africa and South Asia, IDA20 will help countries address the growing gaps in health, nutrition and other key elements of human capital and provide a foundation for a strong and sustained recovery, while also strengthening resilience to future crises and addressing structural inequalities. Digital transformation of health, education, and social protection delivery systems in IDA countries will also be a critical element of the recovery.

Figure 3. 3. IDA Commitments to Select Global Practices[76]



Source: *World Bank Data*

[76] These Global Practices constitute the bulk of the World Bank's work on human capital.

80. **Participants welcomed the introduction of Human Capital as a new Special Theme in IDA20.** Progress made in IDA19 provides a solid basis to deepen work in priority areas. IDA20 will take a dual-track approach by supporting countries to control the pandemic and address immediate human capital needs; while simultaneously scaling up investments that underpin a green, resilient and inclusive recovery. Prioritizing human capital investments can help IDA countries harness the demographic dividend, including by expanding access to primary health care and to sexual and reproductive, adolescent, maternal, neonatal health, and nutrition services; early years investments, such as identification and screening for disability; and supporting acquisition of foundational skills to improve learning outcomes and future productivity. This will be further supported by the Gender Special Theme Policy Commitment on women's empowerment through access to sexual and reproductive and maternal health services, which are essential for women to manage their lives and for countries to advance a demographic transition.

81. **Participants supported IDA20's focus on inclusion, and its efforts to tailor support to the most vulnerable, including persons with disabilities and those discriminated based on their sexual orientation and gender identity.** Within the overall goals of universal access to core human capital services, this focus on inclusion means that IDA20 will pay heightened attention to the barriers that prevent the poor, persons with disabilities, refugees, internally displaced populations, and other marginalized individuals, including those discriminated based on their sexual orientation and gender identity, from achieving their full potential.

82. **IDA20 will endeavor that projects in the education, health, social protection, water, urban, digital development, and transport sectors contain actions to make core services accessible to persons with disabilities**. These efforts will be underpinned by the World Bank's corporate framework and objectives on disability inclusion, laid out in the ESF, progress on the IDA19 policy commitments, the Ten Commitments on disability-inclusive development, and the Disability Inclusion and Accountability Framework (see Box 3.6).

Box 3. 6. Advancing Disability-Inclusive Development

As one of the leading international organizations on disability inclusion in development, the World Bank promotes the full integration of persons with disabilities in societies in line with the Convention on the Rights of Persons with Disabilities.[a]

IDA20 will continue taking actions to promote non-discrimination, inclusion, and universal access in its broader sense to ensure that persons with disabilities can access, participate in, and benefit from infrastructure, products, programs, and/or services. The concept of universal access applies both to the built environment (e.g., schools, community water, sanitation facilities, bus terminals, and public playgrounds), virtual environments (e.g., smart villages/city interfaces, online learning, government portals to access social benefits), as well as the design and delivery of services (e.g., skills development programs, cash transfers).

[a] UN General Assembly. 2007. *Convention on the Rights of Persons with Disabilities: resolution / adopted by the General Assembly.* January 24, 2007, A/RES/61/106

Box continues on the next page

Box 3.6 *continued*

Over the past five years, the World Bank has sharpened its focus on making development more inclusive of persons living with disabilities. The goal is, on the one hand, to ensure that no group is excluded from the benefits of development project impacts through lack of access or through outright discrimination, and on the other hand, to empower individuals to lead as full, healthy, and productive lives as possible. The work to safeguard against exclusion of persons living with disabilities is guided by the Environmental and Social Framework (ESF), which puts in place strong provisions for universal access to Bank-supported operations, along with a tracking indicator.[b] The ESF also requires IDA clients to look specifically at disability as part of social assessments.

In addition, a series of steps have been taken to go beyond safeguards to promote more inclusive societies and economies, and more opportunity for persons living with disabilities. For instance, the World Bank has produced sector-specific Practice and Technical Notes to support task teams to design disability-inclusive projects, and a cross-practice monitoring committee ensures peer-to-peer learning, knowledge sharing, and progress monitoring. This work helps inform operational design as part of the enhanced focus on disability inclusion in IDA19, reinforced by six disability-related policy commitments.

In line with the Ten Commitments on Disability Inclusive Development made at the 2018 Global Disability Summit,[c] the World Bank is working to ensure that all Bank financed projects/programs in education and digital development as well as those financing public facilities in post-disaster reconstruction are disability-inclusive by 2025. The World Bank is also working to make 75 percent of Social Protection projects disability inclusive by 2025 and have all new urban mobility and rail projects supporting public transport services incorporate universal access features to facilitate usage by persons with disabilities. The IDA20 Results Measurement System (RMS) will continue to monitor and report on the share of investment project finance operations that applies the concept of universal access.

IDA20 will further scale up support to disability inclusion across Practice Groups and Special Themes. A new stand-alone policy commitment will address the needs of persons with disabilities by implementing the principles of universal access through projects across sectors. This policy commitment advances the concept of universal access as introduced in IDA19 by focusing on progressive realization as it focuses on supporting unrestricted physical and digital access for persons with disabilities to core services. Support will also be provided to build IDA countries' statistical capacity for the implementation of disaggregated household surveys, by sex and disability. Furthermore, an indicator will be included in the RMS to track the number of IDA countries where capacity is being strengthened to incorporate disability status questions from the Washington Group Short Set of questionaries along with other disability questions in national data systems.

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[b] *https://www.worldbank.org/en/projects-operations/environmental-and-social-framework*

[c] *https://www.worldbank.org/en/topic/socialsustainability/brief/world-bank-group-commitments-on-disability-inclusion-development*

Box continues on the next page

83. **In far too many communities, lesbian, gay, bisexual, transgender, and intersex (LGBTI) people continue to struggle for recognition and equality**. IDA will learn from the publication of the *Equality of Opportunity for Sexual and Gender Minorities* report[77] to define and develop its contribution on this agenda, and report back to the Participants at the IDA20 MTR. The recent report is intended to be the first in a series of studies offering insights around legislation affecting sexual and gender minorities across diverse countries based on six indicators: education, employment, access to public services and social protection, civil and political inclusion, protection from hate crimes and from being criminalized. The same methodology is currently being applied in a follow-up study led by the Asian Development Bank for 24 countries in their region in collaboration with the World Bank.

84. **IDA20 will focus on investing in people and building their human capital at each stage of the life cycle, starting with a focus on the early years**. Cumulative, complementary investments over the life cycle promote productivity and enhance resilience to adversity. Setbacks during key stages of life, particularly in a child's early years—such as lack of adequate maternal prenatal health, poor nutrition or stimulation during early childhood, exposure to stress, or lack of access to foundational skills in preschool—can have especially damaging, compounding, and long-lasting effects that in turn lead to the intergenerational transmission of vulnerability.[78]

85. **The equitable and inclusive rollout of COVID-19 vaccinations and accompanying strengthening of health systems and pandemic preparedness will be a critical priority in IDA20.** An immediate global priority is to support the acquisition and rollout of COVID-19 vaccinations, and ensure continuity of prevention, testing, treatment and care for COVID-19 patients, as well as strengthening essential health services, enhancing pandemic preparedness, and supporting countries to achieve universal health coverage. The support to health system strengthening will focus on improving core capabilities of IDA countries in line with the International Health Regulations[79] and the Political Declaration on Universal Health Coverage.[80] This will include a focus on prevention and promotion services for communicable and noncommunicable diseases, nutrition, reproductive, newborn, and adolescent health. IDA support will also include mental health and psycho-social support to address the additional strain that the pandemic has placed on many individuals, households, and communities.

86. **IDA20 will support the implementation of inclusive national vaccination plans covering procurement and deployment.** IDA20 support to vaccinations will build on the strong progress of IDA19, during which regional initiatives such as the Regional Disease Surveillance Systems Enhancement (REDISSE) program in West and Central Africa were implemented.[81] This

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[77] See Cortez, Clifton; Arzinos, John; De la Medina Soto, Christian. 2021. *Equality of Opportunity for Sexual and Gender Minorities*. Washington, DC: World Bank

[78] Early years refer to the first 2,000 days of a person's life (or until entry into primary school), with nutrition interventions usually having a priority focus on the first 1,000 days.

[79] World Health Assembly. 2005. *International Health Regulations, Second Edition.* Geneva: World Health Organization.

[80] Political Declaration of the High-level Meeting on Universal Health Coverage. 2019. *Universal health coverage: moving together to build a healthier world.* New York: United Nations.

[81] The REDISSE Program was created in the aftermath of the 2014-2016 Ebola Virus outbreak in West Africa and has since grown to include 16 countries in West and Central Africa. REDISSE is investing directly in countries

will include leveraging the full suite of IDA financing mechanisms, including the Regional Window to provide additional financial incentives. It will be carried out in ways that strengthen health care systems, including to address remaining COVID-19 challenges, through prevention, testing, treatment, and care. Support will include assisting client countries to implement vaccination programs using vaccine doses donated by developed countries in collaboration with COVAX. Furthermore, the World Bank will work closely with COVAX and AVAT to ensure financial assurance to support advanced vaccine purchase arrangements with manufacturers.

87. **Furthermore, as part of IDA's commitment to enhancing pandemic preparedness and prevention, IDA20 will also support global health security by assisting countries with One Health approaches to tackle the nexus between human, animal, and ecosystem health.** With most recent pandemics and communicable diseases—such as Ebola, Avian influenza, Severe Acute Respiratory Syndrome, Middle East Respiratory Syndrome and COVID-19—having their origins in animals, One Health is recognized as an essential foundation for global health security. IDA20 envisions cross-sectoral programs guided by the One Health principles to reduce zoonotic risks through interventions to protect biodiversity, limit environmental degradation, improve animal health management, support healthy food systems, enhance integrated surveillance, and increase coordination to prevent and prepare for emerging infectious diseases. This will be based on the WBG One Health Operational Framework.[82]

88. **To further bolster countries' preparedness for future crisis, Participants welcomed IDA20's complementary focus on Adaptive Social Protection.** Building on the robust progress in IDA19, IDA20 will support further incorporating adaptive social protection into national systems to reduce the risks of a range of shocks and provide a platform for the delivery of a range of other services to hard-to-reach individuals and groups. This work has proven to be critical to responding to the COVID-19 crisis and demonstrates IDA's comparative advantage in supporting countries to strengthen systems for inclusion and resilience. IDA's support will contribute to the broader goal of ensuring universal access to social protection by working to ensure that all those who need social protection can access it when they need it.[83] In this context, IDA will continue using a "progressive universalism" approach with a focus on reaching the poorest and most vulnerable first, as they are typically the most in need and the most under-served group, before expanding the coverage further. Informal workers in urban areas, having access neither to social safety net programs nor employment-based social insurance, have been particularly vulnerable to the economic impacts of COVID-19. IDA20 will focus on including these under-served groups into social protection systems to gradually advance toward universal social protection.

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and select regional institutions to build core public health capacity at the country level, as well as regionally to address common needs, harmonize policies and practices, share epidemiological data, and establish regional training institutions and laboratory networks. REDISSE provided the first response in Africa to country requests for financing to prepare for COVID-19.

[82] World Bank Group. 2018. *One Health. Operational Framework for Strengthening Human, Animal, and Environmental Public Health Systems at their Interface.* Washington, DC: World Bank Group.

[83] This is in line with the International Labour Organization's R202 - Social Protection Floors Recommendation, 2012 (No. 202) and the progressive achievement of higher levels of protection in accordance with the Social Security (Minimum Standards) Convention, 1952 (No. 102) that seek to ensure that at a minimum that, over the life cycle, all in need have access to essential health care and basic income security.

89. **IDA20 will work intensively on recovering and accelerating the learning process and rebuilding education systems in the context of the COVID-19 impacts.** As more evidence is emerging on the severe impacts of global school closures on learning, priority is to get girls and boys back to school, accelerate the pace of learning recovery, and also to integrate technology for remote and hybrid or blended learning to ensure learning continuity and preparedness for any future crises. Acquisition of foundational skills, particularly literacy, in preschool and primary education is a precondition for accumulation of the more sophisticated skills and competencies that are increasingly demanded by the changing world of work. The evidence on the pandemic's impacts on girls' education is still nascent, but risks and challenges, especially for adolescent girls in returning to schooling, remain. IDA will continue to place a strong emphasis on girls' education that goes beyond school attendance and learning outcomes with focus on ensuring girls have safe, joyful, and inclusive experiences with education systems that set them up for success in life and motivate them to become lifelong learners. This approach prioritizes investments in four key areas: (a) removing barriers to girls' schooling; (b) promoting safe and inclusive schools for girls; (c) improving the quality of education for girls and boys; and (d) developing skills for life and labor market success for young women.

90. **Consistent with the life cycle focus, the Human Capital Special Theme will focus on reducing learning poverty while continuing to support skills and employability for youth, including through expanded access to secondary and tertiary education programs.** IDA20 will continue supporting students' transition to secondary and higher levels of education, with particular attention to the unique barriers faced by girls and young women and improving the quality and relevance of these education services. This is critical to meet the increased demand for advanced skills, which are fostered in secondary and post-secondary education and training institutions. This is further supported by work under the JET agenda and commitments under Gender and Development to help address the impact of COVID-19 on female employment and make progress to close gaps in the labor force, including through improved access to affordable and quality childcare and scaling up productive economic inclusion programs. IDA20 will continue to strengthen education systems by empowering and supporting teachers, building management capacity of principals and education policymakers, supporting efficient financing of education, and applying educational technology to all levels of education to ensure that education reaches all students anytime, anywhere. The objective of this work will be to enable quality education and training systems that deliver cognitive, socioemotional, technical, and digital skills to children and youth.

91. **In a context of narrowed fiscal space, IDA20 will support countries to mobilize, allocate, and spend public funds more efficiently and effectively to maximize investments in people.** The availability of resources will need to be calibrated with needs for human capital spending and there is an opportunity to improve both the efficiency and efficacy of human capital financing, notably through a focus on performance and the use of results-oriented policy and administrative reforms. In addition to enhancing domestic revenue mobilization capacities, which will be supported under the Governance and Institutions Cross-Cutting Issue, IDA20 will strengthen resource and expenditure management to ensure that public spending and investments yield high-growth dividends.

92. **Participants called for further strengthening of partnerships to deliver on the crisis response and intensify efforts to build back better.** The Human Capital agenda is supported through strong partnerships not only within the WBG, such as in bolstering vaccine production and distribution with the IFC, but also with other development partners, such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), as well as the African Union through the African Vaccine Acquisition Trust (AVAT). Together with the Global Financing Facility, WHO, Gavi, The Vaccine Alliance, and others, and particularly through close collaboration with COVAX and AVAT on vaccines, IDA's response to COVID-19 has been comprehensive, while also bringing much needed leadership to Access to COVID-19 Tools Accelerator (see Box 3.7), including as co-lead of the Health Systems Connector Pillar. Strong partnerships with multilateral and bilateral partners, such as Bill and Melinda Gates Foundation, U.K.'s Foreign, Commonwealth and Development Office, UNICEF, and USAID, are central to the World Bank's Accelerators initiative to recover learning losses and accelerate progress in foundational learning. Going forward in IDA20, these will be further strengthened.

Box 3. 7. Partnering to Roll Out COVID-19 Vaccinations in IDA Countries

While the COVID-19 pandemic is ravaging populations and straining health systems with emerging variants leading to new waves of the pandemic, vaccine rollout has been uneven. As of October 25, 2021, of the 6.92 billion vaccine doses that have been administered globally, only 31.5 million benefitted low-income countries (LICs). Only 3.1 percent of people in low-income countries had received at least one dose, compared with 71.1 percent in high income countries. The cost to IDA countries of a rollout of the currently available vaccines, including the logistical costs of vaccine distribution, but excluding current levels of COVAX support come to nearly $13 billion.[a] This inequity has implications for economic recovery, poverty alleviation, and global health.

A key priority in IDA20 will be to accelerate support to COVID-19 vaccination rollout and to strengthen pandemic preparedness. Anchored in a broader effort to strengthen health systems in IDA countries, IDA20 offers an ambitious policy package to support containing the COVID-19 pandemic through accelerated vaccine rollout and boosting preparedness for future pandemics including through One-Health approaches. While IDA financing for countries' vaccine acquisition and deployment will continue to be primarily from country allocations, IDA20 will provide additional incentives for countries with access to the enhanced Regional Window and the use of Short-Maturity Loans in the Scale up Window for their vaccine response.

[a] This estimate does not include financing needs for systems strengthening and for hiring additional healthcare workers/vaccinators.

Box continues on the next page

Box 3.7 *continued*

Partnerships will remain central to IDA's work on the immediate COVID-19 response and support toward pandemic preparedness. The World Bank is working closely with other partners to help countries to mobilize and strengthen their capacities to acquire and deploy COVID-19 vaccines. The World Bank has produced vaccine readiness assessments in more than 145 countries in collaboration with UNICEF and WHO, Gavi, The Vaccine Alliance and the Global Fund. The Bank is also teaming up with COVAX and the African Union African Vaccine Acquisition Trust (AVAT) to step up the purchase and deployment of COVID-19 vaccines for the low and middle-income countries and in particular for the Africa Region, which is lagging far behind the rest of the world in vaccinations. The Bank is providing support to countries in the use of different emerging options to secure and deploy COVID-19 vaccines. In addition, the Bank and WHO co-chair the COVID-19 Multilateral Leaders Task Force on COVID-19, working together with IMF and the World Trade Organization. The task force aims to track, coordinate and advance delivery of COVID-19 health tools to developing countries and mobilize stakeholders and national leaders to remove critical roadblocks. The Bank is also a lead partner of the Access to COVID-19 Tools Accelerator, including as co-lead of the Health Systems Connector Pillar.

The IFC will continue to ramp up engagement with the private sector to improve access to critical healthcare products and services by closing key supply gaps, to support regional and local vaccine manufacturing and to strengthen the service capacities of IDA countries' health systems. Under the Global Health Platform, IFC is committing $2 billion and mobilizing another $2 billion in private investment to help close the massive healthcare supply gaps faced by developing countries in the fight against COVID-19. IFC has already committed $220 million with a pipeline of $1.3 billion, of which more than $450 million is for vaccine-related projects. In response to the extraordinary strain on health systems in Africa caused by COVID-19, IFC has created the "Scaling Health in Africa" initiative to (i) tackle the immediate healthcare product and service gaps resulting from the COVID-19 crisis and (ii) strengthen the resilience of health systems in the long-term. IFC is also supporting COVID-19 response programs through a $545 million allocation provided under IDA18 and an additional $80 million of IDA PSW support approved under IDA19 in support of the Base of the Pyramid program under the Global Health Platform.

93. **Participants welcomed the broad and ambitious agenda to contain the pandemic, restore human capital losses, rebuild quality, core social services, and accelerate the pre-COVID-19 trajectory of human capital gains.** Based on progress on core human capital commitments advanced in IDA19, coupled with additional priority human capital investments, IDA20 will focus on the Policy Commitments outlined below.

Human Capital Special Theme Policy Commitments

1. ***Boosting COVID-19 vaccination rollout and strengthening pandemic preparedness:*** *Support all IDA countries to strengthen health security and advance inclusive health systems and universal health coverage, including (i) containing the COVID-19 pandemic, through vaccine rollout, testing, treatment and care, and/or (ii) strengthening pandemic preparedness, including prevention, detection and response.*

2. ***Investing in children's early years:*** *To promote child development, restore and expand access to quality early years services, including maternal and nutrition services, in at least 30 IDA countries, of which 15 countries are among those IDA countries with the lowest Human Capital Index (HCI).*[a]

3. ***Supporting core social service delivery systems:*** *To address gaps exacerbated by the COVID-19 crisis, in at least 40 IDA countries, of which 10 are FCS, support access to core, quality, inclusive social services focused on: (i) social protection for urban informal workers, and/or (ii) students' return to school and accelerated recovery of learning losses, with a special focus on addressing constraints faced by girls, and/or (iii) children's immunizations.*

4. ***Expanding adaptive social protection and building resilience to shocks:*** *To ensure inclusive and effective response against shocks and crises, support at least 20 IDA countries' resilience by building adaptive social protection systems, including the use of digital technologies.*

5. ***Addressing learning poverty:*** *To fill critical learning gaps and ensure improvements in learning outcomes, support at least 20 IDA countries, of which 10 are among those IDA countries with the lowest HCI, to reduce learning poverty by (i) measuring learning, with sex disaggregation and (ii) implementing core elements of the literacy policy package (e.g., effective literacy instruction, structured lesson plans, adequate reading materials for all children).*

6. ***Expanding access to core services for persons with disabilities:*** *To promote inclusive societies, support at least 18 IDA countries to meet the needs of persons with disabilities by implementing the principles of non-discrimination, inclusion, and universal access as per the Environmental and Social Framework, through projects in education, health, social protection, water, urban, digital development and/or transport.*

7. ***Supporting prevention of and preparedness for future pandemics:*** *To strengthen health security by improving pandemic preparedness and prevention at the nexus of human, animal, and ecosystem health, including zoonotic diseases and anti-microbial resistance, support at least 20 IDA countries to mainstream One Health approaches.*

8. ***Leveraging adequate, efficient financing for human capital:*** *To strengthen public finance for human capital investments, support IDA operations in at least 20 IDA countries, of which eight are among those IDA countries with the lowest HCI through policy or administrative reforms impacting (i) the availability of resources, and/or (ii) the efficiency of expenditure management and/or (iii) the results-orientation of human capital investments.*

[a] *The lowest HCI countries refer to the 30 IDA countries with the lowest Human Capital Index (HCI).*

ii. CLIMATE CHANGE

94. **IDA countries face disproportionate risks from the impacts of climate change, and the IDA20 Climate Change Special Theme offers an actionable package to scale up integration, scale, and impact.** Over four IDA replenishment cycles, IDA has made significant progress in mainstreaming climate change and scaling up climate action in IDA countries. The focus has increasingly been on systemic approaches and concurrent measures to ensure transformational climate action. Vital lessons have also been learned across sectors and regions, and IDA20 draws on the solid track record and significant progress to date. Toward deepening the integration, scale, and impact of climate action, the IDA20 policy commitments will support large-scale climate interventions in adaptation and mitigation, prioritizing countries that have larger carbon emissions and deeper climate vulnerabilities. Collectively, the IDA20 policy commitments will help to address short and long-term adaptation needs, decarbonization objectives, and protection of biodiversity, natural capital, and ecosystem services, while stimulating growth and enabling a green recovery.

95. **IDA20 continues to raise ambition toward a green future.** Since Climate Change was introduced as Special Theme in IDA16, it has shaped IDA's focus on climate outcomes through compounded policy commitments and RMS indicators. For instance, following the agreement of the IDA18 policy commitments, all World Bank lending operations have since been screened for climate impact, and in IDA19 a policy commitment was introduced requiring all projects with 20 percent or more climate Co-Benefits to include at least one climate-related indicator in the results frameworks. Building on this, IDA20 is introducing ambitious actions and measures to strengthen the outcome orientation of climate investments, including an additional incentive in the IDA20 RMS to move the focus from climate financing to climate results.

96. **The IDA20 Climate Change Special Theme aligns closely with the recently launched WBG Climate Change Action Plan 2021-2025 (CCAP2).**[84] In line with the CCAP2, IDA20 commitments aim to go faster to help countries integrate climate into their development agendas. IDA will help countries to repair the damage from the COVID-19 crisis while building the resilience and inclusion needed to withstand future shocks and seizing economic opportunities to create more and better jobs in a greening global economy. The IDA20 policy package will support countries to make progress on several SDGs, including climate action (SDG13), affordable and clean energy (SDG7), industry, innovation, and infrastructure (SDG9), health (SDG3) and sustainable use of ecosystems and biodiversity loss (SDG15).

97. **IDA20 will increase climate-related financing, with both a higher Climate Co-benefit target and intensified emphasis on climate adaptation.** IDA20 will support efforts to increase Climate Co-Benefits to 35 percent, with adaptation finance comprising at least half of the total climate-related financing. The ambitious 35 percent target represents a significant increase from the 27 percent achieved through IDA operations on average during the first CCAP period (FY16-20) and an even larger increase in dollar terms as the support through IDA20 is to be expanded. This should further be seen in light of the COVID-19 response and recovery work, which is shifting demand away from traditionally climate-focused sectors such as infrastructure, energy, agriculture,

[84] World Bank Group. 2021. *World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development.* Washington, DC: World Bank Group.

and water, toward operations in the health, education, social, and economic sectors as well as DPFs, and the design of green stimulus packages**.** In addition, Climate Co-Benefits for IDA PSW operations will increase to 35 percent on average to reflect the PSW's catalytic role in greening economies.

98. **Alignment with the Paris Agreement[85] and rollout of Country Climate and Development Reports (CCDRs) are significant innovations in IDA20.** Starting in FY24, all new IDA20 operations will align with the Paris Agreement (See Box 3.8), and by the end of IDA20, all new IDA PSW real sector operations will be aligned with the Paris Agreement. As another substantial innovation in IDA20, CCDRs are being introduced as core analytics required for country strategies and are also monitored in the IDA20 RMS. As a critical diagnostic, the CCDRs will help integrate climate adaptation and mitigation strategies into national planning and investments and thereby fulfill the increased ambitions set out in CCAP2. To help clients maximize impact at the country level, IDA will enhance support to national planning, including by supporting more countries to update and implement Nationally Determined Contributions (NDC) and to develop complementary and mutually reinforcing Long-Terms Strategies (LTS) for low-carbon and resilient development. The aim of this national planning support is to maximize the synergies between development and climate action consistent with the long-term goals of the Paris Agreement and to strengthen the global response to the threat of climate change, including by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

99. **IDA20 will deepen support to IDA countries in their efforts to deal with climate change by transitioning key systems.** IDA20 will step up support to prioritize climate action across agriculture, food, water, and land; cities; transport; and manufacturing systems in IDA countries, which is imperative to address the causes and consequences of climate change. IDA20 will apply the Avoid-Shift-Improve approach to investments in the transport sector.[86] IDA will support the transition of agri-food sectors through robust policy and technology-informed interventions for crops, including through climate-smart agriculture technologies and practices, and livestock to build resilience and reduce emissions. IDA will support cities to become sustainable and climate-smart, putting in place policies and regulations to make cities more livable and sustainable, through land use planning, improving air quality, decarbonizing energy systems, promoting green and resource-efficient buildings and infrastructure, improving urban transport, strengthening solid-waste management, and improving water and sanitation. IDA's support to the manufacturing sector will improve competitiveness of industries through business continuity planning, resource efficiency and circularity, and improved management of supply chains and industrial parks in line with the WBG Resilient Industries approach.

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[85] UN Climate Change Conference of the Parties. 2015. *Paris Agreement to the United Nations Framework Convention on Climate Change.* Dec. 12, 2015, T.I.A.S. No. 16-1104.

[86] Avoid-Shift-Improve focuses on the demand side of transport, supporting a sustainable design which reduces the environmental impact of transport on the quality of life.

Box 3. 8. Aligning New Operations with Paris Agreement: A Key Innovation in IDA20

Aligning new operations with the Paris Agreement entails supporting IDA countries in ways that are consistent with low-carbon and climate-resilient development pathways. Paris alignment assessments will be conducted to determine whether an activity advances, hinders, or is neutral to the attainment of the goals of the Paris Agreement to strengthen the global response to the threat of climate change, including by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Financing should not hinder efforts to limit global warming, recognizing that peaking of greenhouse gas emissions will take longer for developing countries. The WBG is developing rigorous methodologies to assess Paris alignment and is piloting these methods on investment lending projects. New methodologies are also being designed for other lending instruments, including policy-based lending and investments in financial institutions and funds.

Paris alignment means that WBG support would be consistent with the goals of the Paris Agreement and guided by countries' Nationally Determined Contributions (NDC), Long-Terms Strategies (LTS), and other national climate commitments. An IDA operation is considered Paris-aligned if it:

a. actively contributes to decarbonization pathways (e.g., renewable energy) in line with the goals of the Paris Agreement;

b. fully addresses climate risks in terms of adaptation and resilience; or

c. neither harms nor contributes to climate outcomes but fully addresses exposure to climate risks and is consistent with country policies on low-carbon and resilient development in line with the goals of the Paris Agreement.

Paris alignment means that IDA's engagement in natural gas projects will be limited to where gas would have a role in the energy sector that cannot be substituted economically with cleaner alternatives. In IDA countries, natural gas investments may be aligned with the Paris Agreement where there is urgent energy demand and no short-term lower-carbon alternatives to reliably and economically serve such demand. Accounting for unique national circumstances, any IDA investments in new gas infrastructure will be in the midstream or downstream sector and assessed for consistency with NDCs, LTSs or other national development strategies to ensure that they are not leading to long-term carbon lock-in, as well as for consistency with the goals of the Paris Agreement, among other considerations.

Operations that are considered universally non-aligned include the mining of thermal coal, electricity from coal, extraction of peat, and electricity from peat.

To help phase out coal production and use, the WBG will also support decommissioning of coal mines and energy generation infrastructure reliant on coal. Assistance could include support to the retrenched workers, including retraining, and to the communities adversely affected by such decommissioning.

100. **Addressing gender inequality and supporting more inclusive approaches for more effective, low-carbon and resilient development is an important focus of IDA.** The WBG is committed to supporting client countries' efforts for inclusive and gender-responsive climate actions, particularly through considering gender-differentiated impact and how they would impact resilience in NDCs and other national plans. In supporting key systems transitions and investing in nature and biodiversity and crisis preparedness, IDA will address the distributional and social

impacts of shifts to a low-carbon and resilient economy. In doing so, IDA can help ensure that women, youth, and marginalized and vulnerable groups – including people with disabilities, those discriminated against due to sexual orientation, and indigenous people among others – are protected from adverse impacts, can benefit equitably from the climate investments and contribute to green transition as agents of change. IDA20 will build capacity of national and local governments to work in partnership with communities while building the leadership potential of women and youth, through supporting mechanisms such as community-driven development that promote local leadership and meaningful citizen and community participation in all levels of climate decision making.

101. **The energy sector is especially important to climate and development, and IDA20 will step up support for clean energy through a holistic approach.** IDA20 will help countries to facilitate the transition to low-carbon, climate-resilient economies through the design of low-carbon energy sector development strategies, upstream work to support development of battery storage, and the provision of direct, indirect, and enabling policy support for renewable energy, while also recognizing the emerging environmental and social risks in renewable energy projects. This will involve work on techno-economic assessments and supporting basic regulatory structures for introducing new multifunctional technologies such as battery storage. To help IDA countries address challenges to energy access discussed in Section I, IDA20 will continue to provide direct, indirect, and enabling policy support to countries to achieve new or improved electricity service and access to clean cooking, including in IDA FCS. The number of beneficiaries of these supports will be measured and monitored as part of IDA20 RMS. IDA will also work with IDA countries to systematically explore available opportunities to identify realistic and socially inclusive approaches for phasing out fossil fuels. This entails supporting clients to think through other systemic barriers that need to be addressed in order to put them on a low-carbon development pathway and enable a Just Transition from the current investment needs to low-carbon options.

102. **In a further innovation, IDA20 will introduce targeted support to the financial system to address climate-related risks and mobilize capital for low-carbon, resilient investments.** IDA20 will integrate considerations of climate and environmental risk and opportunity into institutional banking, funds, and capital markets. IDA will also work with policymakers to identify climate and environmental risks to the financial sector, including through climate stress testing in the banking sector. IDA20 will support countries to ensure that financial sector policies and incentives are aligned with nature and biodiversity goals and support better measurement and management of biodiversity risk. Capturing the economic value of biodiversity and ecosystem services will be critical in channeling financial flows toward investments that contribute to conservation, restoration, and sustainable use of biodiversity and its services to people.

103. **IDA20 will step up support to nature smart-policies and nature-based solutions in response to the global biodiversity crisis and the risks it poses to development and climate outcomes.** Biodiversity and climate change are closely interlinked, with terrestrial and marine ecosystems serving as critically important carbon sinks, while climate change acts as a direct driver of biodiversity and ecosystem services loss. Recognizing this, IDA20 connects the climate and biodiversity agendas and seeks to exploit synergies between them, to support a green, resilient, and inclusive development in IDA countries. To achieve this, IDA will:

a. **Deepen support on nature-based solutions for the protection, restoration, and sustainable use of biodiversity and ecosystem services**. Ecosystems and biodiversity services provide a lifeline to the poorest communities, particularly in coastal areas and near forests, buffering them from extreme climatic events and satisfying essential needs including the provision of nutritious food, biomass for energy, medicine and basic raw materials, ensuring a basic safety net and contributing directly to poverty alleviation and livelihoods.[87] An example is Bangladesh's Coastal Embarkment Improvement Project (CEIP-1), which has contributed to the protection of more than 330,000 people, half of them women, by creating greater resilience in select polders.[88]

b. Building on recent progress achieved, scale up support to integrated landscape, forest, seascape and watershed management, which is critical for many communities in IDA countries;

c. Expand its focus to freshwater, coastal, ocean and marine ecosystems, which are covered for the first time under IDA policy commitments. IDA20 will prioritize integrated and sustainable management while contributing to blue growth. This will include addressing marine plastic pollution, which is a key concern for many IDA countries, including Small Island Developing States (SIDS) in the Pacific, Caribbean and Africa;

d. Continue to support NBSAP implementation and/or updating under IDA20. This support will be maintained and monitored in IDA20 RMS. The WBG is developing a methodology to identify, monitor, and assess the extent to which project financing generates biodiversity and ecosystems services;

e. Support IDA countries with implementing their national priorities on biodiversity and climate change agreements in the context of global frameworks such as the Convention on Biological Diversity[89] and Paris Agreement to respond to these two intertwined crises;

f. Address risks to nature, including land degradation, through investments under IDA20 and support nature-based approaches and innovative technologies for sustainable business models. Across the WBG, metrics and decision-support tools will be developed that are based on the best scientific data available and on economic analysis. Comprehensive wealth accounting, that includes biodiversity and ecosystem services, and integrated

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87 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). 2019. *Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.* S. Díaz, J. Settele, E. S. Brondizio E.S., H. T. Ngo, M. Guèze, J. Agard, A. Arneth, P. Balvanera, K. A. Brauman, S. H. M. Butchart, K. M. A. Chan, L. A. Garibaldi, K. Ichii, J. Liu, S. M. Subramanian, G. F. Midgley, P. Miloslavich, Z. Molnár, D. Obura, A. Pfaff, S. Polasky, A. Purvis, J. Razzaque, B. Reyers, R. Roy Chowdhury, Y. J. Shin, I. J. Visseren-Hamakers, K. J. Willis, and C. N. Zayas (eds.). Bonn: IPBES secretariat.

88 CEIP-1 was designed to support the rehabilitation and upgrade of protection polders, areas of low-lying land reclaimed from the sea, to mitigate the effects of tidal flooding and frequent story surges. *https://www.worldbank.org/en/results/2021/04/26/building-coastal-resilience-to-protect-lives-and-livelihoods-in-bangladesh*

89 United Nations Conference on Environment and Development. 1992. *Convention on Biological Diversity.* Adopted in Rio de Janeiro, Brazil on June 5, 1992

ecosystem-economy modeling together can maximize synergies between low-carbon and nature investments; and

g. Engage with the private sector to support the achievement of critical biodiversity goals. IFC is in the preliminary stages of developing sector-wide approaches to integrate biodiversity considerations at the earliest stages of landscape planning, particularly for the agriculture and infrastructure sectors. IFC will work to develop new approaches and business models to support biodiversity finance and explore catalyzing private financing in its client markets, by creating value for a business. New and expanding markets that put a financial value on ecosystem services include carbon sequestration, watershed protection or natural disaster mitigation. IFC will help companies operating in these and other emerging markets understand, manage, and benefit from biodiversity.

104. **Through the Climate Change Special Theme, IDA20 will also help IDA countries to build preparedness for disasters and crises, including food insecurity**. The COVID-19 crisis has highlighted the value of wide-reaching, efficient emergency preparedness and response systems that can be swiftly activated to smoothen and lessen the impacts of a major shock, be it climate-related or otherwise. Early warning and evacuation systems remain underdeveloped in many IDA countries, despite the known benefits. IDA20 will support countries facing natural hazards or food crises to improve crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure. This will include good public financial management systems for crisis preparedness. IDA20 will help countries to access and use the best available data, information, and tools, including through digital technologies, to strengthen preparedness through key early warning systems. Strengthened drought, flood, and famine early warning systems, as well as disease surveillance systems, will be the focus of programming to boost resilience for vulnerable populations.

105. **Participants endorsed the strategic approach of the Climate Change Special Theme and the ambitious package of policy commitments outlined below.**

Climate Change Special Theme Policy Commitment

1. ***Increasing Climate Co-Benefits****: IDA's Climate Co-Benefits share of total commitments will increase to 35 percent, on average over FY23-FY25, with at least 50 percent for adaptation. For IDA PSW operations, Climate Co-Benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations, on average.*

2. ***Aligning all IDA operations with the Paris Agreement:*** *Starting in FY24, all new World Bank IDA operations will align with the Paris Agreement. By the end of IDA20, all new IDA PSW real sector operations will be Paris aligned. Support will be provided to at least 30 countries to develop Country Climate and Development Reports and at least 50 countries to develop, update and/or implement Nationally Determined Contributions or Long-Term Strategies.*

3. ***Transitioning key systems for adaptation and mitigation:*** *Support at least 50 countries (including at least 20 FCS) to develop inclusive climate policies and increase investment in climate adaptation and mitigation in at least one key transition system (i.e., agriculture, food, water and land; cities; transportation; and/or manufacturing), including community-led climate investments in at least 15 countries.*

4. ***Sustainable energy for all:*** *Facilitate development of low-carbon energy sector development strategies and policies in at least 20 countries (including at least eight FCS) and development of battery storage in at least 15 countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least one GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.*

5. ***Scaling-up green financing:*** *Support at least 20 countries (including at least five FCS) to revise their financial regulatory frameworks to manage climate and environmental risks and to mobilize capital for a low-carbon and resilient economy.*

6. ***Enhancing biodiversity and ecosystem services:*** *Implement nature-based solutions, including landscape, seascape and watershed restoration and management or forest restoration and sustainable forest management, in at least 20 countries to support biodiversity and ecosystem services.*

7. ***Strengthening management of fresh water, coastal and marine ecosystems:*** *Support at least 25 countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including by addressing marine plastic pollution.*

8. ***Increasing crisis preparedness and response:*** *Support at least 25 countries (including at least 10 FCS) facing natural hazards or food crises to improve their crisis preparedness and response capacity by strengthening related institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.*

iii. Fragility, Conflict and Violence

106. **The development challenges facing IDA FCS are especially dire.** Even before COVID-19, the increasing concentration of poverty in IDA FCS meant that IDA would need to sustain focus on the FCV Special Theme for some time. Now that IDA FCS have been especially hard hit by COVID-19, the potency and urgency of these challenges are even greater. While the political, economic, and social impacts of COVID-19 in FCV settings are yet to fully materialize, it is clear that IDA20 must place FCV issues front and center of both the immediate and longer-term development response to ensure a green, inclusive, and resilient future, both for IDA FCS and other countries.

107. **FCV has been an IDA Special Theme since IDA15 and has evolved and increased ambition over subsequent replenishment cycles.** The World Development Report 2011 coincided with IDA16 and called for a paradigm shift in operational engagement and financial assistance for IDA FCS for confidence building and flexible responses. Over IDA17 and IDA18 financing to IDA FCS increased substantially and new allocations were introduced to incentivize prevention and support transitions out of fragility. Decentralization of staff and focus on partnerships, including with the UN and other partners around the humanitarian, development, and peacebuilding (HDP) nexus, have been a key priority throughout. In IDA18 the Facetime Index was introduced to support a policy commitment on increasing the footprint in IDA FCS, and in IDA19 a policy commitment and related RMS indicator was introduced to build capacity to leverage field-appropriate technology for digital data collection and analysis thereby addressing constraints of monitoring and data collection in IDA FCS. IDA20 will further enhance ambition across country programming by introducing specific FCS sub-targets across all special themes.

108. **Participants welcomed IDA20's focus on deepening implementation of the WBG FCV Strategy, including through tailored country engagements, as well as the IDA FCS sub-targets embedded across the Special Themes.** IDA20 will continue to integrate FCV drivers and sources of resilience in country engagement products, based on Risk and Resilience Assessments (RRAs) and other diagnostics, to strengthen FCV sensitive programming at country and regional level. Participants welcomed the enhanced ambition of IDA FCS sub-targets, as well as IDA's commitment to deepen work on making core governance functions more resilient in 40 percent of IDA FCS,[90] building on the work in IDA19, but with stronger focus on facilitating effective, inclusive, and responsive public services and enhance transparency and accountability to help build trust and strengthen the social contract. Addressing crisis preparedness will also remain a critical part of IDA20 engagement for IDA FCS facing multiple, simultaneous crises. Building on IDA19, IDA20 will scale-up engagement on addressing transboundary drivers of FCV and strengthening regional crisis risk preparedness in the Sahel, Lake Chad, the Horn of Africa, and Central Asia, including around the HDP nexus.

109. **IDA will sustain its efforts to scale-up resources for IDA countries experiencing FCV, including through the FCV Envelope.** The share of IDA resources/commitments going to IDA countries facing FCV challenges has increased fivefold since IDA16, reaching over 39 percent of total IDA resources with more than half of the grants going to IDA FCS/V.[91] The FCV Envelope

[90] The 40 percent target reflects the support provided during IDA20 alone, unlike the cumulative target in IDA19.
[91] As of June 30, 2021.

has quickly become an essential tool to support IDA FCS to seize opportunities and respond with greater agility to their evolving needs (see Box 3.9). IDA20 will continue the strategic features of the FCV Envelope and maintain the strong focus on incentivizing eligible countries to align their dialogue and programming more directly with the objectives of conflict and violence prevention, preserving development gains, and managing successful transitions out of fragility through strong diagnostics and FCV sensitive country engagement.

Box 3. 9. Implementing Conflict Prevention in Mozambique

Rapidly increasing insecurity in Northern Mozambique led to a rethink of the World Bank's country engagement. A constructive Government-led dialogue with the international and national stakeholders on the country's conflict risks and resilience supported access to the Prevention and Resilience Allocation opening new opportunities for engagement. Importantly, this led to shifts in the WBG portfolio and operational footprint in Mozambique, targeting the IDA program more closely to support conflict prevention. A spatially differentiated portfolio approach was introduced to support the re-establishment of the state's presence in areas adjacent to the conflict, besides prevention efforts to minimize risk of conflict escalation. The recalibration and emergency response to the conflict supports provision of essential services to displaced populations and members of host communities, complemented by operations in the "buffer zone" adjacent to the conflict areas to ensure access to basic services, livelihoods, and economic opportunities. These efforts will be reinforced by the recently completed Recovery and Peacebuilding Assessment for Northern Mozambique, carried out by the EU, UN, WBG, and AfDB under the 2008 Joint Declaration on Post-Crisis Assessments and Recovery Planning, which underpinned the Government's Integrated Development and Resilience Strategy for the North. Coordinated support under the Strategy is key to ensuring coherence among partner efforts in support of the Government, in order to chart a pathway towards peace and stability in the North.

110. **The WHR will continue to play a key role in an inclusive recovery by incentivizing eligible countries to find socio-economic opportunities for both refugees and their host communities.** IDA20 will maintain the key features of WHR, with continued emphasis on government policy commitment, resilient and inclusive recovery, and gender equality. Further, the WHR will continue to support operations that promote policy change and strengthen country systems for crisis preparedness and inclusion, such as by expanding access to social protection and health systems by refugee populations. While the WHR is targeting refugees and their hosts, IDA will continue to highlight the plight of other forcibly displaced populations, including internally displaced persons (IDPs) and returnees. Here, the focus will be on ensuring inclusive approaches that seek to address the displacement-related vulnerabilities that hinder those forcibly displaced from benefitting from development opportunities available to their compatriots.[92]

111. **Participants welcomed IDA's continued efforts on FCV staffing.** IDA's strong ground presence is core to its comparative advantage and has been instrumental to scaling-up and tailoring its programming in IDA FCS, despite the crisis. IDA is on track to meet its original IDA19

[92] The World Bank recently published "A Development Approach to Conflict-Induced Internal Displacement" which outlines the key principles and agenda for strengthening the institution's engagement on IDPs in alignment with the report and recommendations from the UN High Level Panel on Internal Displacement.

commitment over a three-year period (FY21-23),[93] and efforts to continue to strengthen its ground presence will be prioritized in IDA20 as part of FCV Strategy implementation and broader institutional efforts. The World Bank will continue to monitor staffing in IDA FCS (as well as the Facetime Index indicator in the RMS) and roll out additional measures to attract both local and international talent to FCV settings and ensure their wellbeing, safety, and security.

112. **Mobilizing private sector investment in IDA FCS presents both challenges and opportunities, and Participants welcomed the enhanced ambition of the PSW.** Through the PSW, IFC and MIGA continue to seize opportunities for private investments in the toughest markets, with nearly half of PSW commitments in IDA19 supporting investments in IDA FCS. For example, the Africa Medical Equipment Facility supports smaller healthcare providers in Sub-Saharan Africa, and the Base of the Pyramid Program focuses on microfinance institutions and micro, small, and medium enterprises (MSMEs). Experience from investing in IDA FCS markets has shown that on-the-ground presence, reliability of long-term funding, and sustained engagement are key to project identification and implementation. IDA20 will further strengthen PSW programming in underserved segments and IDA FCS, to identify green, resilient, and inclusive private sector solutions that can spur crisis recovery. In doing so, IFC and MIGA will focus more on new clients with higher risk profiles in order to achieve scale in riskier markets affected by the crises and FCV.

113. **Partnerships will continue to be central to IDA's work in all countries, but especially in FCS**. Partnerships play a mission-critical role in FCS, including with the UN agencies, IMF, MDBs, the European Commission, bilateral partners, regional institutions such as the African Union, and Civil Society Organizations (see Box 3.10).[94] These partnerships will continue to be a priority in IDA20, particularly around addressing the HDP nexus for enhanced impact, as outlined in the FCV Strategy.[95] Special attention will go to partnerships for crisis preparedness, resilience-building, and COVID-19 vaccine rollout in order to leverage comparative advantages and deploy complementary technical expertise in fragile settings.

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[93] In IDA19, IDA committed to deploy at least 150 more GE+ staff, including extended term consultants, to IDA FCS locations and nearby locations to serve IDA FCS. The IDA19 target was subsequently adjusted downwards to 100, because IDA19 was shortened from three years to two. As of end-FY21, an additional 46 staff had been deployed in IDA19. Between FY19 and FY21, IFC opened 8 new offices in Sub-Saharan Africa, 5 of which in IDA-FCS (Chad, Mali, Niger, Somalia and Togo) and increased staff numbers in IDA-FCS from 69 as of FY19-end to 132 as of FY21-end. IDA is on track to meet the target of at least 150 by end-FY23, noting that recent developments in some FCS have necessarily entailed a reduction in the World Bank's presence on the ground for reasons beyond its control, which will need to be taken into account going forward.

[94] The World Bank has a structured partnership with the UN in more than 40 crisis-affected situations, including collaboration on analytics such as joint Recovery and Peace-building Assessments and RRAs. In the context of COVID-19, IDA partnered with several UN agencies, the Asian Development Bank and others to strengthen health systems, social safety nets and reach vulnerable communities in countries such as Papua New Guinea, Haiti, Niger, and Yemen. Furthermore, engagement with partners, such as the International Committee of the Red Cross, has helped enhance the World Bank's effectiveness in insecure settings like Somalia and South Sudan.

[95] The FCV Strategy outlines four measures especially focused on systematizing, operationalizing and incentivizing partnerships with humanitarian, development, security, and peacebuilding actors as well as with MDBs, regional organizations and civil society.

Box 3. 10. World Bank - UNHCR Strengthened Partnership for Addressing Forced Displacement

The World Bank and United Nations High Commissioner for Refugees (UNCHR) partnership provides complementary tools and approaches to support host countries and enhance refugee self-reliance as part of ongoing efforts to operationalize the United Nations' Global Compact on Refugees. The partnership cuts across countries and themes. For example, in Uganda, IDA and UNHCR partner to support the government's progressive "whole of society approach" to transition from humanitarian to government-run education, health and water systems. In Kenya, IDA and UNHCR surveyed the socioeconomic conditions in Kalobeyei, a settlement established to accommodate the growing population of refugees from South Sudan, to inform policies and programs advancing opportunities for girls and women; and promoting agriculture to prevent food insecurity. In addition, the World Bank / UNHCR Joint Data Center on Forced Displacement established in October 2019, is working to improve availability, quality, and access to socio-economic data and evidence on those affected by forced displacement.

114. **Participants supported IDA20 simultaneous focus on addressing drivers of FCV and COVID-19 crisis response and recovery priorities.** Achieving green, resilient, and inclusive development outcomes in IDA FCS will continue to require a differentiated and tailored approach. The IDA20 Special Theme of FCV is fully aligned with the FCV Strategy and includes a deliberate focus on (a) rebuilding human capital, including education, supporting vaccine deployment, and investing in shock responsive social services; (b) strengthening core governance functions and institutions for service delivery and enhanced capacity to prepare for and respond to crises; (c) creating jobs and economic opportunities for economic recovery and building social cohesion; (d) helping address tensions related to natural resources and environmental impacts in the face of climate change and food insecurity; and (e) closing gender gaps as a critical element of FCV prevention, focusing on women's empowerment and agency, and ensuring inclusion of vulnerable and marginalized people and communities (including people with disabilities) in our efforts to recover from crisis and address FCV challenges.

115. **IDA20 will deliver four foundational policy commitments under the FCV Special Theme, with additional commitments contained within other Special Themes**. This policy package is underpinned by the IDA FCV financing toolkit and reinforces the implementation of the WBG FCV Strategy.

FCV Special Theme Policy Commitments

1. ***Operationalizing the FCV Strategy through better tailored country engagement:*** *Reinforce implementation of the WBG FCV Strategy, by ensuring that all country engagement products*[a] *in IDA FCS demonstrate how the WBG program, in collaboration with relevant partners, help address FCV drivers and sources of resilience, based on FCV diagnostics and FCV sensitive portfolio analysis undertaken in Risk and Resilience Assessments or other FCV assessments. An FCV lens will continue to be integrated into relevant joint World Bank-International Finance Corporation Country Private Sector Diagnostics in IDA FCS.*

2. ***Leveraging outcomes for both refugee and host communities:*** *Work with government counterparts and other partners to ensure that, by the end of IDA20, at least 60 percent of the countries eligible for the Window for Host Communities and Refugees (WHR) will have implemented significant policy reforms related to the WHR purposes, as identified through the Refugee Policy Review Framework.*

3. ***Strengthening core governance institutions:*** *Support 40 percent of IDA countries in FCS (with active portfolios) to establish and/or strengthen core government functions that facilitate effective, inclusive, and responsive public services, enhance transparency and accountability, and promote resilience and trust, including by partnering with key national and international stakeholders.*

4. ***Addressing transboundary drivers of FCV and recovering from crisis:*** *Implement regional initiatives in the Sahel, Lake Chad, the Horn of Africa, and Central Asia to help address transboundary drivers of FCV, support transboundary resilience, and/or strengthen regional crisis risk preparedness and mitigation together with key relevant partners. IFC will commit to leverage its local presence to scale up upstream and advisory service activities in these areas, leading to enhanced private sector opportunities.*

[a] *Country engagement products include Country Partnership Frameworks (CPFs), Country Engagement Notes (CENs) and Performance and Learning Reviews (PLRs).*

116. **Participants also welcomed the IDA FCS sub-targets embedded under other Special Themes, as follows:**

a. The *Human Capital Special Theme* includes an IDA FCS sub-target to support access to core, quality, inclusive social services and addressing gender and human capital gaps. Several policy commitments have a special emphasis on countries with low HCI, which include many IDA FCS.

b. Under the *JET Special Theme*, policy commitments with IDA FCS sub-targets support resilience of financial systems; increasing private investment in IDA FCS; job creation and economic transformation in high potential sectors; improved agricultural productivity and food security; and affordable access to broadband.

c. Under the *Climate Change Special Theme*, policy commitments with IDA FCS sub-targets support countries to design and adopt policies that encourage investment in climate adaption and mitigation in key transition sectors; renewable energy and low-carbon development; scaling up green financing and strengthened crisis preparedness and response.

d. The *Gender and Development Special Theme* includes a sub-target on GBV, to complement the measures outlined under Human Capital for advancing gender equality in FCV contexts. The overall package focuses on tackling gender disparities in access to economic opportunities, social protection and services, gender and forced displacement, and gender and conflict prevention.

iv. GENDER AND DEVELOPMENT

117. **Gender and Development has been an IDA Special Theme since IDA16—reflecting a broad consensus that closing gaps between women and men, and boys and girls are essential for reducing poverty and boosting shared prosperity.** IDA's approach to gender has significantly evolved over time, including by better monitoring progress toward outcomes, integrating gender analysis and programming in country strategies, improving the collection of sex-disaggregated data, and launching work to address gaps in fragile and conflict-affected situations. Since IDA18, the WBG Gender Strategy[96] has served to further raise ambitions toward gender equity, moving beyond gender mainstreaming, and focusing on identifying outcomes and monitoring results on closing gender gaps. These were further accelerated by policy commitments since IDA17 as well as RMS indicators to track action to close gender gaps, with significant guidance and training for staff and inbuilt incentives for managers.

118. **Gains achieved over decades are now at risk as a result of COVID-19 crisis.** In the years leading up to 2020, IDA countries mobilized to narrow gender inequalities in IDA countries with significant progress in many domains. Persistent gaps, particularly in terms of economic empowerment, persisted, but the trajectory was promising. COVID-19 both halted and set back progress. Women were more likely than men to lose their jobs in the first months of the crisis;[97] and data from 49 countries show that women entrepreneurs resumed their business operations at a slower pace than men entrepreneurs.[98] Evidence from multiple countries and data source consistently points toward an increase in intimate partner violence and other forms of GBV during the pandemic, especially during periods of lockdowns. Overall, the COVID-19 crisis has exposed serious weaknesses in terms of safety net coverage for informal workers (particularly for women in urban areas), economic inclusion, availability of affordable and quality childcare, access to finance, insurance, digital technology, skills, and comprehensive GBV prevention and response services.

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[96] World Bank Group. 2015. *World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction and Inclusive Growth.* Washington, DC: World Bank Group.

[97] Kugler, M., M. Viollaz, D. Duque, I. Gaddis, D. Newhouse, A. Palacios-Lopez, M. Weber (2021). "*How Did the COVID-19 Crisis Affect Different Types of Workers in the Developing World?*" Policy Research Working Paper No 9703; Washington, DC.: World Bank Group.

[98] Torres, J., F. Maduko, I. Gaddis, L. Iacovone and K. Beegle (2021). "*The Impact of the COVID-19 Pandemic on Women-Led Businesses.*" Paper Presented at the 2021 Jobs and Development Conference, Washington, DC.: World Bank Group.

119. **Stepped-up efforts on gender equality are a critical element of a green, resilient, and more inclusive recovery, and looking forward, IDA can play an important role to help client countries implement policies and programs that address gender gaps.** Women are at the center of the GRID agenda as powerful agents of change. Fostering equitable and durable recovery will require understanding how investments can create job and entrepreneurship opportunities for both women and men in sectors transitioning to a low-carbon footprint, including renewables, and that would avoid sex-segregation and low-productivity employment for women. Adaptive social protection can help women smallholders and subsistence producers to transition to climate friendly approaches in agriculture, fisheries, and other sectors. Delivery systems for government services can also be designed as more inclusive and effective through, for example, leveraging digitalization. And, finally, tax and expenditure systems that enable countries to meet the SDGs can be strengthened to support gender equality objectives.

120. **IDA20 will deepen the implementation of the WBG Gender Strategy and focus on impact across the strategy's four pillars.** IDA has been an important anchor for the WBG Gender Strategy and has helped to accelerate progress across the four pillars including: (i) improving gaps in human endowments; (ii) removing constraints for more and better jobs; (iii) removing barriers to women's ownership; and (iv) control of assets and enabling women's voice and agency. IDA20 will sharpen the focus on results and support policy actions that build on gains achieved in IDA19, particularly in terms of strengthening and bringing innovative approaches to scale.

121. **The IDA20 policy commitments continue to support key priority areas in IDA19 as well as new emerging priorities in light of the COVID-19 crisis with a high level of ambition.** IDA20 includes ambitious targets in the areas where gender gaps have been exacerbated by the COVID-19 crisis, including in access to sexual and reproductive and adolescent health services and in women's return to paid employment. IDA20 will continue to focus on women's empowerment through increased access to quality sexual and reproductive, adolescent, and maternal health services. Building on the work in IDA19 and earlier cycles, IDA's efforts will better enable women to make decisions about their sexual and reproductive lives and equip them to build their own human capital and that of their families. There is a strong link between sexual and reproductive health, family planning and women's empowerment, and IDA operations have supported reproductive health over consecutive IDA cycles in line with the WBG Gender Strategy. The Bank follows the WHO definition of reproductive health that includes family planning as a core component and encompasses a broad set of age ranges. IDA19's focus on closing the gender digital divide will be enhanced through accelerating digitalization of identification systems and government payment platforms, as well as pursuing opportunities with the private sector to provide phones and access to information and communications technology infrastructure. In addition, digitalization can enhance women's access to climate services, including information, hydromet services, and early warning systems, helping build their resilience to climate shocks.

122. **IDA20 builds on significant progress in increasing IDA financing for GBV prevention and responses across regions and sectors.** IDA has developed a portfolio of projects that dedicate substantial funding to prevent and/or respond to GBV in areas such as health, education, trade and competitiveness, transport, and social development. For example, the Zambia COVID-19 Emergency Response project seeks to address high prevalence of GBV through training of community volunteers and health workers, investing in community outreach on GBV and available

services, and help improve GBV-related data collection. IDA20 will build on these experiences to expand the scope of previous support in more countries to strengthen national frameworks on GBV prevention and response services, including psychosocial services in clinics, hospitals, and schools, as well as access to justice, women's rights, and safety. Moreover, the WBG continues to mitigate sexual exploitation and abuse (SEA) and sexual harassment (SH) risks associated with projects as continuum of efforts to implement the recommendation of the WBG Global Task Force on Gender-Based Violence since IDA18. The Good Practice Note on addressing SEA/SH in IPF involving Major Civil Works,[99] lays the framework for SEA/SH risk mitigation at all levels of project related risk and is implemented as part of the Environmental and Social Framework.

123. **IDA20 features new policy commitments to improve the quality and affordability of childcare and foster productive economic inclusion.** As outlined above, the pandemic has widened gaps in women's labor force participation. The new policy commitments will focus WBG efforts across sectors to help address pandemic's impact on female employment and make sustainable progress to close gaps in the labor force. Improved access to affordable and quality childcare will target the lowest income workers and parents and address a binding constraint to labor force participation; while scaling up productive economic inclusion programs (extending access to credit, savings, and insurance) will focus on female-owned firms and female farmers, especially the poorest, through social safety nets, urban development, and community development programs. IDA 20 also features a new policy commitment to support the implementation of fiscal policy and budget systems to close gender gaps.

124. **The Gender and Development Special Theme features strong linkages with other special themes to ensure that women and men benefit from IDA interventions.** The Human Capital Special Theme strongly supports scaling up productive economic inclusion for women with a focus on education through its learning poverty and productivity commitment. The priorities under JET Special Theme support women's economic empowerment through labor earning and ownership, control over assets and will continue to emphasize sex disaggregated data collection. Under the Climate Change Special Theme, IDA will also help countries to develop inclusive climate policies to integrate gender equality into mitigation and adaptation actions and implement gender-responsive actions in NDCs. Closing gender gaps remains a critical element as countries recover from crises and address FCV challenges. Strengthening systems and building trust in institutions will be key to making progress in FCV settings.

[99] World Bank. 2020. *Addressing Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) in Investment Project Financing involving Major Civil Works. Second Edition.* Washington, DC: World Bank Group.

125. **Participants welcomed the policy commitments under Gender and Development Special Theme.**

Gender and Development Special Theme Policy Commitments

1. ***Investing in women's empowerment:*** *Support women's empowerment, through restoring and expanding access to quality and affordable sexual and reproductive, adolescent, and maternal health services, in at least 30 IDA countries, of which 15 countries with the lowest HCI.*

2. ***Scaling productive economic inclusion:*** *Incorporate specific productive economic inclusion components (e.g., producer cooperatives/associations, digital finance/savings and service delivery, entrepreneurship support, social care services, regulatory frameworks, and/or links to market support) for women in at least 35 IDA social protection/jobs, agriculture, urban, and/or community development projects.*

3. ***Expanding childcare:*** *Support at least 15 IDA countries to expand access to quality, affordable childcare, especially for low-income parents.*

4. ***Supporting medium and high skilled employment opportunities for women:*** *At least 35 percent of IDA20 infrastructure operations (transport, energy, and water) will include actions to create employment opportunities for women in medium and high skilled jobs in these sectors.*

5. ***Closing gaps in digital technology:*** *At least 30 IDA20 operations in digital development, financial inclusion, and agriculture will increase women's access to and usage of digital technology to close gender gaps in access and usage.*

6. ***Strengthening women's land rights:*** *At least 70 percent of IDA20 operations with land activities in (i) land administration, (ii) post-disaster reconstruction and resilient recovery, and (iii) urban development will include specific actions to strengthen women's land rights.*

7. ***Increasing support to prevention of and response to GBV:*** *Support at least 10 IDA countries to strengthen national policy frameworks for prevention of and response to GBV, and in at least 15 IDA countries, of which five are FCS, support GBV related services in health systems, and implement GBV prevention and response protocols as part of safe and inclusive educational institutions.*

8. ***Implementing fiscal policy and budget systems to close gender gaps:*** *Support at least 10 IDA countries to make their fiscal policy and budget systems more inclusive and gender responsive by, for example, budget reforms, removing discriminatory provisions from tax legislation and/or monitoring the effectiveness of public spending, including where appropriate through fiscal incidence analysis for equality policies.*

v. JOBS AND ECONOMIC TRANSFORMATION

126. **In IDA20, the JET agenda is as critical and urgent as ever.** Even before the COVID-19 crisis, around 20 million jobs needed to be created each year for the next decade in IDA countries just to keep pace with youth entering the labor market. In 2020, lost working hours total around 255 million full time jobs – four times the losses during the 2009 global financial crisis,[100] and 97 million people (30 million of which in IDA + blend countries, or 21 million in IDA only countries) fell back into poverty.[101] The impact across countries varies, with SIDS and FCS facing the deepest declines. Inequality is rising across sectors and locations, and informal, women-owned, and small firms are being hit disproportionately.

127. **The crisis is affecting all the productivity channels associated with economic transformation.** Macro-fiscal underpinnings have been challenged as revenues have fallen, while demand on fiscal spending has risen steeply. Trade in services remains low. Global value chains are still adjusting, with some seeking to diversify production locations, and as a result opening opportunity for nearshoring among countries seeking to become competitive locations to attract investors. Upgrading and adopting technology, particularly digital technology, has been an avenue to raise countries' productivity and access larger markets. However, the ability to access affordable and reliable solutions varies by country. The ability to reallocate resources to more productive uses has also been disrupted by the downturn and rise in uncertainty. To achieve a speedy and inclusive recovery, firms and workers will need to reposition and reskill themselves.

128. **In IDA20, the JET Special Theme will support IDA countries to address both the immediate needs of minimizing job losses and mitigating risks, while also helping them to seize longer-term job creation opportunities in a world transformed by COVID-19.** JET is focusing on how greening sectors (including the financial sector), innovation and skills can be sustainable and create more green jobs, contribute to achieving the CCAP2 and the GRID agenda. To achieve such priorities, the enhanced IDA20 JET framework (see Figure 3.4) is focused on the enabling foundations to incentivize the expansion of private investment and job creation, including a sound macro-financial stability and governance, a conducive business enabling environment with open and contestable markets, and open access to infrastructure and financial services.

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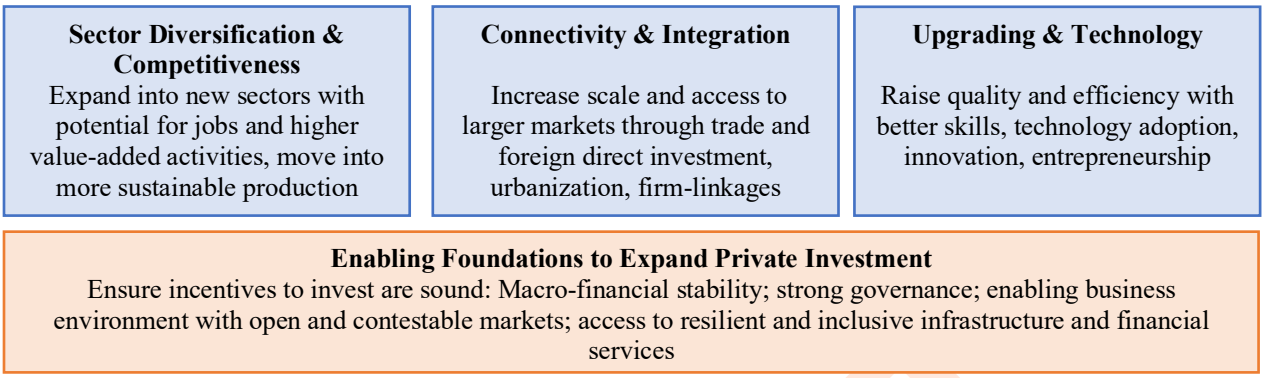
[100] International Labor Organization. 2021. *ILO Monitor: COVID-19 and the World of Work. Seventh Edition.* Geneva: ILO.

[101] Mahler et al. 2021. *Updated Estimates of the Impact of COVID-19 on Global Poverty: Turning the corner on the pandemic in 2021?* World Bank Blogs: Data Blogs, June 24, 2021; World Bank. 2021. Global Economic Prospects, June 2021. Washington, DC: World Bank

Figure 3. 4. IDA20 JET Framework



129. **IDA20 will focus on inclusive digitalization, investments in agriculture and food security, and addressing constraints to MSMEs.** JET will explore new economic opportunities in an inclusive manner, including those emerging for MSMEs in the digital economy space. JET's support to agriculture productivity complements the commitments on climate change and climate-smart agriculture under the Climate Change Special Theme. Adopting digital solutions can raise efficiency and open a new range of activities that can be done safely. This is part of the broader WBG support for digital public goods, including deploying quality open-source digital technology solutions. In Mozambique, IDA is supporting the improvement of the government's capacity to deliver digital services, and to foster the growth of domestic digital businesses. Indeed, government responses to COVID-19 have expanded the use of new technologies, and the JET agenda will continue to support such expansion, noting that closing the digital divide is particularly pressing in FCS. Support to improving agriculture productivity is being widened to address structural issues that are at the root of food and nutrition security as well as the modernization of agribusiness value chains to raise farmers' incomes and enable economic transformations as rural incomes increase.

130. **The IDA20 JET Special Theme also offers some new policy commitments in quality infrastructure and financial sector resilience that will be essential to help countries build back better.** IDA countries need support to ensure quality infrastructure investments, including in rural areas, particularly given that needs remain high and that fiscal space is tight. Priority will be given to strengthening infrastructure governance in countries with lower Country Policy and Institutional Assessment (CPIA) governance scores. The ongoing Infrastructure Governance Assessment Framework will also cover social considerations, and engagements in IDA20 will address constraints identified through diagnostic assessments. IDA20 will further support resilient financial systems given the critical role they play for an efficient recovery. This support will be complemented by the commitment under the Climate Change Special Theme to green the financial sector by expanding investments in green sectors while addressing risks to assets posed by climate change.

131. **IDA20 will identify and prioritize high-potential sectors that can drive job creation in a post-COVID-19 world.** Such high-potential sectors include climate and environmentally friendly sectors with high potential for green growth and green jobs, as well as those that traditionally employ women and youth. Priority engagements in IDA20 will be identified in

consultation with country counterparts as per IDA's country-driven model, leveraging WBG analytical methodologies, such as the Country Private Sector Diagnostics (CPSD). Key criteria include potential for productivity growth, private sector-led sustainable and creation of inclusive and green jobs, or where women or youth work. Green sectors will be getting heightened attention.

132. **Amid concerns for growing inequality, IDA20 will look also at the quality of jobs and skills, including the importance of 'Decent Work'.**[102] Participants welcomed IDA's emphasis on raising productivity and people's earnings, improving working conditions, strengthening workers' voice, and improving the stability of work, consistent with the goals of Decent Work. All Bank-financed projects recognize the importance of respecting the rights and safety of workers including by implementing the Labor and Working Condition standard under the ESF, considering the labor market context, particularly among the bottom 40 percent. The Better Work partnership between the International Labour Organization (ILO) and International Financial Institutions, including the WBG, illustrates the complementarities of these approaches. Better jobs for migrants and for host communities remains a concern and will be a key focus (see Box 3.11). This support is complemented by the Human Capital Special Theme, which covers the broader skills agenda, while JET Special Theme will focus specifically on addressing workers' skills and supporting them to meet the shifting demand and ensure their employability. Deepening skills, digital skills and those needed to access green jobs or jobs in green sectors, will be important both to ensure the growth of high-potential sectors and that more workers can access these employment opportunities.

Box 3. 11. Tackling Economic Migration

Approximately 74 million international migrants, about a quarter of international migrants worldwide, have originated in IDA countries. Emigration flows from small island nations are particularly sizeable. Internal, rural-urban migration is several times larger. Remittances sent by migrants provide a financial lifeline to many IDA countries. In 2021, remittances to IDA countries are on track to reach $137 billion, larger than the sum of Official Development Assistance and Foreign Direct Investments combined. Even as IDA countries host nearly 19 million economic migrants, most migrants from IDA countries are in high-income destination countries where migrants provide significant benefits related to increased labor supply and reduced skill scarcity. Economic migration, internal or international, is driven by income and employment gaps, inequality, demographic imbalances, and environmental changes. Climate-driven migration often takes the form of internal migration.

Box continues on the next page

[102] ILO defines decent work as the sum of the aspirations of people in their working lives. This involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. *https://www.ilo.org/global/topics/decent-work/lang--en/index.htm.*

Box 3.11 *continued*

In line with the IDA18 and IDA19 policy commitments, the WBG has applied a 'migration lens' to 50 Systematic Country Diagnostics, Country Partnership Frameworks, and Country Engagement Notes in IDA countries (including home, host, and transit countries) where migration has a significant economic and social impact. Migration-related activities are addressing facilitation of remittances, mobilization of diaspora resources through diaspora bonds, development of skills and certification, providing access to health, education, and housing to migrants in IDA host countries, and supporting the return of stranded migrant workers. Experience from these projects suggests that IDA's knowledge, finance and convening power can be usefully deployed to support safe and legal labor mobility, reduce remittance costs, and mobilize diaspora resources for development, and these efforts will continue under IDA20.

The WBG will continue to apply a migration lens to ASAs and lending operations in IDA "migration countries" where emigration, immigration, transit migration, or remittance flows have critical significance in the economy.[a] In IDA20, the JET Special Theme, supported by other Special Themes (including FCV, focusing inter-alia on forced displacement), will continue to take a balanced approach to address poverty, inequality, lack of jobs, lack of security, and climate change that are drivers of migration, as well as to support host countries.

In addition, the World Development Report 2023 will focus on cross-border mobility. The report will leverage data and research on the macro- and micro-determinants of mobility to analyze current trends and possible scenarios and will review policy responses by both origin and host countries. It will put forward a set of recommendations to operationalize its findings, which will be relevant for several IDA20 Special Themes.

[a] Leveraging Economic Migration for Development: A Briefing for the World Bank Board. World Bank. Washington DC. September 2019.

133. **In IDA20, the PSW will continue to catalyze private sector investment, job creation and create markets in the most fragile and difficult settings, based on sound principles including the transparency and disclosure of information.** A strong WBG collaboration targeted at mobilizing the private sector by supporting IFC and MIGA's high ambitions in IDA, and particularly in IDA FCS, is essential for a rapid recovery and to the JET agenda in IDA20. The PSW is an effective tool to support IFC and MIGA's high impact investments in challenging IDA and FCS markets that would not otherwise be commercially viable. The window also plays an important role in crowding in additional sources of financing, as well as in setting high standards. In IDA20, IFC will continue expanding its Own-Account annual commitment investments in LIC-IDA countries and FCS in line with the 2030 Capital Package commitments, including with IDA PSW's support. IFC's efforts focused on Upstream engagement will lay the groundwork for private solutions once the immediate crisis impacts subside, along with the use of blended finance to support investments in the most challenging markets. The PSW's governance framework is guided by sound principles, including around the transparency and disclosure of information on PSW-supported projects, in accordance with IFC and MIGA's respective information disclosure policies, and complemented by additional information on expected impacts and subsidies utilized.

134. **Participants welcomed the following IDA20 policy commitments under the JET Special Theme**.

JET Special Theme Policy Commitments

1. ***Supporting resilient financial systems for recovery:*** *Strengthen the resilience, inclusion and depth of the financial system in 15 IDA countries, including five FCS, based on FSAP or similar financial sector analytics to support a robust and inclusive recovery.*

2. ***Leveraging One WBG to increase private investments:*** *In the context of IDA PSW operations involving IFC, IFC will aim to increase the share of its commitments in FCS-IDA17 & LIC-IDA17 countries, reaching 12-17 percent of its Own-Account commitments on average during the IDA20 cycle, with an intent to reach an Own-Account annual commitment of 14-17 percent in the last fiscal year of IDA20. Consistent with this aim, targeted platforms and programmatic approaches for IDA PSW-eligible countries will be supported to develop and encourage scalable initiatives across sectors in these countries, including those targeted to support small and medium-sized enterprises, for trade finance purposes, in support of gender, and for climate friendly investments focused on mitigation and adaptation.*

3. ***Delivering quality infrastructure investments in countries with governance challenges:*** *Support at least 20 countries, of which 10 have a score of 3.0 or less on CPIA Dimension 16 covering transparency, accountability and corruption, to identify the governance constraints to the development, financing, and delivery of quality infrastructure investments, with particular attention to resilience, climate and environment, and regulatory practices, transparency and integrity, to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these. These will be undertaken through Infrastructure Sector Assessments Programs and standalone governance assessments that support improved delivery of quality infrastructure services.*

4. ***Creating better jobs and sustainable, inclusive economic transformation in high potential sectors:*** *Support interventions to address market failures and remove constraints in sectors with high potential for the private sector to drive sustainable and inclusive economic transformation and create better jobs, or where women and youth disproportionately work, in 20 IDA countries, of which five are FCS, including through upstream activities and informed by data and private sector development diagnostics such as the joint IFC-WB Country Private Sector Diagnostics (CPSD), and selected in agreement with country authorities.*

5. ***Boosting agriculture productivity, value chains and food security:*** *Improve agricultural productivity, including through the promotion of climate-smart agriculture, and strengthen sustainable agri-business value chains with high potential for growth and better jobs addressing modernization and food and nutrition security in 15 IDA countries, including five FCS, in ways that are inclusive, expanding training for agricultural workers to access better jobs, and encouraging private sector opportunities.*

JET Special Theme Policy Commitments *continued*

6. ***Expanding broadband access and usage for jobs of the future:*** *To close the connectivity gap, IDA will support 17 IDA countries, including those which will benefit from IFC's support under the IDA PSW to develop digital infrastructure, to increase inclusive, secure and affordable access to and usage of broadband connectivity, among which are six landlocked countries, four Small States and nine FCS.*

7. ***Positioning more firms for recovery, including through the adoption of digital technology:*** *Support programs in 15 IDA countries, to strengthen private sector recovery and transformation that are well targeted, inclusive of SMEs and support the adoption of digital technologies, with monitoring to capture distributional impacts and effectiveness. To support this, IFC will increase its support to digital infrastructure, with - consideration of cyber security and related issues, and its venture capital work in IDA and FCS countries.*

8. ***Boosting institutional capacity to improve data for policy decision-making:*** *Support 34 IDA countries including those with ongoing statistical operations (i) to strengthen institutions and build capacity to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate; and (ii) to increase resilience of statistical systems, including through investments in digital technology and high-frequency monitoring capabilities.*

SECTION IV: VOLUMES AND TERMS OF IDA ASSISTANCE IN IDA20

135. **Participants called for an ambitious IDA20 financing package to ensure that IDA countries have the resources they need to respond to the COVID-19 pandemic and build back better and greener from the crisis.** Participants acknowledged the need to scale up IDA programming to compensate for recent development losses and support countries' return to a positive trajectory toward achieving the Twin Goals and the Sustainable Development Goals (SDGs). They agreed that IDA20 can reach even further than IDA19 on an exceptional basis to meet the surging demand for IDA resources, deliver even more support to countries to address the widespread effects of the crisis, and lay the foundations for a successful recovery.

136. **IDA is among the world's most efficient and effective vehicles for international development to support good country outcomes, as discussed in Section II: Delivering Long-Term Outcomes in the Poorest Countries.** Among the factors that set IDA apart is its hybrid financial model that leverages scarce shareholder resources with market debt in order to increase financing for IDA countries. Enabled by IDA's hybrid financial model, IDA20 provides the most ambitious package for IDA thus far, made possible by continued strong Partner support and additional IDA balance sheet optimization measures.

137. **Several balance sheet optimization measures (BSO) are introduced in the IDA20 financing framework to stretch the reach of Partner contributions for the benefit of IDA countries.** Along with a continued and prudent lengthening of the maturity of IDA's market

borrowings, BSO measures focus on enhancing the efficiency of IDA's capital utilization, and include the introduction of new financing terms, namely: 50-year credits for IDA-only yellow light countries (with exemption for Small States) and concessional shorter-maturity loans (SMLs). These new financing terms are discussed in further detail in this section, along with the terms of IDA20 financing, which otherwise remain unchanged from IDA19. While IDA continues to lean forward, the IDA20 financing framework remains consistent with the leveraging principles agreed by IDA Participants in IDA18 (see also paragraph 163), as well as IDA's financial risk management policies.

138. **Participants endorsed this approach and agreed to an IDA20 replenishment of $[amount] billion (equivalent to SDR [amount] billion),[103] financed by new contributions and a $[amount] billion carry-over from IDA19, which together represent a [no.] percent increase in real terms compared to the previous cycle.** They acknowledged that the IDA19 allocation framework has proven to be robust and called for it to be retained in IDA20, while enhancing it with several innovations to respond to the needs for volume on concessional terms. The breakdown of the IDA20 use of resources is summarized in Table 4.1 below:

Table 4. 1. IDA20 Use of Resources (US$ billion)

In US$/ SDR [a] billion	**Original IDA19 in nominal terms** [b]		**IDA20**	
	US$	SDR	US$	SDR
Total (I + II + III)	**82.0**	**59**		
Of which, concessional resources	73.8	53.4		
I. IDA Country Allocations	**60.5**	**43.7**		
Of which, FCV envelope (estimates)	*7.5*	*5.4*		
Memo items:				
I-a. Regular Term Financing	*60.5*	*43.7*		
I-b. Shorter Maturity Loans (SMLs) (concessional)	*0.0*			
II. IDA Windows	**20.5**			
1. Regional Window	7.6	5.5		
2. Host Communities & Refugees Window	2.2	1.6		
3. Crisis Response Window	2.5	1.8		
4. Scale-up Window (SUW)	5.7	4.1		
4-a. Regular SUW (non-concessional)	*5.7*	*4.1*		
4-b. SUW-SML (concessional)	*0.0*			
5. Private Sector Window *(non-concessional)*	2.5	1.8		
III. Arrears Clearance	**1.0**	**0.7**		
Memo:				
Total SMLs (PBA + SUW)	*0.0*			
Grant element ($)	*n.a.*			
Grant element: Concessional IDA (%) [c]	*59.3%*			
Grant element: Overall Replenishment (%) [d]	*55.0%*			

Note: *Figures in US$, billions.*
[a] *Based on the agreed IDA19 SDR/US$ exchange rate of 1.38318.*
[b] *Original IDA19 as presented in the Deputies' report;*
[c] *Includes SUW-SMLs (concessional);*
[d] *Excludes PSW.*

[103] At the IDA20 foreign exchange reference rate of SDR/US$ [amount].

A. CONCESSIONAL IDA FINANCING

139. **Participants underscored that concessional resources are essential to respond to the elevated financing needs resulting from the crisis while preserving debt sustainability**. In IDA20, concessional resources will constitute [no.] percent of the overall financing envelope, through the country allocations, inclusive of the Fragility Conflict and Violence (FCV) envelope, and four concessional windows.

i. COUNTRY ALLOCATIONS

140. **Participants agreed to maintain country allocations as the cornerstone of IDA20 financing.** Country allocations are derived from the Performance-Based Allocations (PBA) system, including the FCV envelope, and are central to IDA's country-based model. In IDA20, country allocations will comprise [no.] percent of the envelope, [up/down] from 74 percent in the original IDA19 replenishment, with the volume of [$amount] billion representing a [no.] percent [increase] in [real] terms. The PBA mechanism allows for strategic allocation of IDA's limited resources to meet country needs, while incentivizing strong policies and performance. In IDA20, the PBA system will remain largely the same as in IDA19. With the introduction of new financing terms in IDA20, as outlined in paragraphs [155 to 158] below, some IDA countries will now receive a small portion of their country allocations as concessional SMLs, and IDA-only yellow light countries (with the exception of Small States) will receive their country allocations as 50-year credits. In a global aid landscape that is characterized by proportionally decreasing unearmarked resources at the expense of sector-specific funds, country allocations will continue to provide critical support to all IDA-eligible countries for priority investments toward a green, resilient, and inclusive future. With IDA20 country allocations, IDA will sustain its role as the largest source of unearmarked concessional finance in the world, reinforced by in-country presence in almost 70 countries, ensuring that programming focuses on the key development priorities of IDA countries. Implementation arrangements for the IDA20 PBA system are outlined in Annex 3.

141. **Participants agreed to scale up the FCV envelope in IDA20, to complement the PBA with enhanced support for countries facing situations of fragility, conflict, and violence.** Given the good progress achieved in IDA19, the FCV Envelope will retain its key features, which include in-cycle identification, eligibility-based processing and annual reviews, PBA-aligned financing, and full integration into country portfolios. The IDA20 FCV envelope will be composed of the same three allocations: The Prevention and Resilience Allocation, the Remaining Engaged during Conflict Allocation, and the Turn-Around Allocation (TAA). IDA19 policies and eligibility criteria will be retained. Countries eligible in IDA19 will not need to undergo a new eligibility review, as their continued eligibility will be confirmed through the existing annual review process. The number of eligible recipients is expected to increase only slightly in IDA20, and Management estimates that the FCV envelope will allocate around $[amount] billion during the cycle.[104] Implementation arrangements for the IDA20 FCV envelope are outlined in Annex 4.

[104] FCV Envelope amounts are indicative depending on eligibility of countries and take-up. If not subscribed, unused amounts will be reallocated to all IDA countries through PBA or inter/intra-regional reallocations in the second half of the IDA period. The IDA20 FCV envelope will also allow for the provision of up to $[amount] billion in potential core funding for Syria through the TAA, subject to eligibility and performance.

142. **Participants acknowledged the need to maintain strong incentives to reduce debt vulnerabilities in IDA countries, by continuing to link country allocations to sustainable borrowing practices.** Building on the successful implementation of the Sustainable Development Finance Policy (SDFP), IDA20 will continue to provide a strong framework for countries to move toward more sustainable borrowing practices. This will be achieved by linking IDA country allocations to the satisfactory implementation of concrete Performance and Policy Actions (PPAs) aimed at enhancing debt transparency, fiscal sustainability, and debt management. As per the SDFP framework, countries that do not satisfactorily meet their PPAs will be subject to a set-aside of their country allocation in the following year, with one additional year to implement the PPAs and recover the set-aside, or irrevocably lose it. Details of the SDFP and the system of set-asides are outlined in the SDFP policy document.[105]

143. **Participants agreed to maintain the various measures in place to support Small States to respond to their unique development challenges.** In IDA20, all IDA countries will continue to receive a minimum base allocation of SDR 15 million per year (equivalent to $[21.4 million]),[106] which was increased by 275 percent in IDA18 from SDR 4 million in IDA17. This particularly benefits Small States for which country allocations would otherwise be significantly lower due to their small population size. Small States will also continue to benefit from the enhanced linkages to resilience under the Crisis Response Window (CRW), as well as specific provisions under the Regional Window. Small Island Economies (SIEs) – a subset of Small States – will continue to receive special treatment from IDA pursuant to IDA's SIEs Exception Policy.[107] Seventeen SIEs with GNI per capita above the IDA operational cut-off will continue to receive IDA concessional credits on Small Economy Terms, which represent the most favorable terms that IDA offers. These measures will help IDA continue supporting robust country engagements in Small States in IDA20, accompanied by dedicated capacity building to ensure absorption capacity and the efficient use of resources.

ii. CONCESSIONAL WINDOWS

144. **Participants recognized that the IDA19 window architecture has proven to be robust and should be maintained, with some refinements.** Refinements to concessional windows focus on ramping up support in areas that are critical to the IDA20 agenda, including through increased flexibility and stronger externalities under the Regional Window, softer terms for yellow light countries under the WHR, elevated Early Response Financing (ERF) in the CRW, and a new concessional portion of the SUW offering concessional SMLs. As in IDA19, the concessional windows will be critical to achieving IDA's overall ambition and making progress on key priorities and policy commitments.

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[105] World Bank. 2020. *Sustainable Development Finance Policy of the International Development Association*. Washington, DC: World Bank. Please also see World Bank. 2021. *Sustainable Development Finance Policy (SDFP) of the International Development Association: early findings from the first year of implementation.* Washington, DC: World Bank.

[106] Using IDA20 foreign exchange reference rate of SDR/US$1.42934.

[107] The SIE Exception Policy, first adopted in 1985, was revised in March 2019 to include (a) criteria for considering requests from IBRD-only SIEs to be reclassified as IDA-eligible SIEs; and (b) criteria for calibrating the terms on which IDA concessional resources are provided to SIEs. In accordance with the revised policy, the borrower status of the Republic of Fiji was reclassified from "IBRD-only" to "Blend Country" status, effective as of July 1, 2019.

145. **The Regional Window (RW) will continue to bring countries together to address regional challenges and help catalyze regional integration investments that are essential to the IDA20 agenda, including financing for rollout of COVID-19 vaccination programs**. Financing for regional integration continues to be in high demand in all regions. Countries are seeking to integrate their recovery efforts to build back better and greener to (a) consolidate investments in infrastructure to strengthen economic corridors, create jobs, and pursue transformation; (b) facilitate trade and market development across countries, especially in the energy sector; (c) better manage shared natural resources given climate uncertainty; and (d) strengthen human capital toward increased job creation with a focus on women and youth. The RW will also continue to support regional initiatives to address FCV drivers, particularly in the Sahel, Lake Chad, the Horn of Africa, and Central Asia. In IDA20, the RW will be leveraged to bolster vaccination efforts and provide stronger incentives, by topping up country allocations dedicated to vaccine financing or providing risk capital to regional or global procurement mechanisms. The objectives of the window are well aligned with the global and regional public good nature of vaccination programs, and its implementation arrangements provide a tested and well-suited framework to incentivize additional investments in financing for such programs.[108]

146. **To respond to high demand, Participants agreed to scale up and increase the flexibility of the RW, which will be sized at $[amount] billion in IDA20, a [no.] percent increase in real terms compared to IDA19.** Participants agreed to provide flexibility to access RW financing by allowing two-country operations in all regions, as long as they demonstrate significant externalities.[109] Already, RW operations are expected to generate positive spillovers or mitigate negative ones across country boundaries among participating countries, but these objectives will be strengthened by hardwiring this requirement into the Project Development Objective-level indicators.[110] The combined effect of these policy changes is expected to stimulate demand in countries that have no or few IDA neighbors, particularly in East Asia and the Pacific, Latin America and the Caribbean, Europe and Central Asia, and South Asia, while improving overall project quality. Implementation arrangements for the IDA20 Regional Window are outlined in Annex 6.

147. **Participants agreed to increase financing levels and maintain existing policies for the Window for Host Communities and Refugees (WHR).** With COVID-19 exacerbating inequalities, the WHR will help countries with significant refugee populations to narrow the gaps between refugee and host communities and within communities, while supporting key priority areas for crisis recovery and building back better. These include expanding access to health, deploying COVID-19 vaccines, education, and employment, especially for women and girls. IDA19 WHR policies will be maintained in IDA20. The eligibility criteria will remain the same and countries that were eligible in IDA19 will not need to re-do their eligibility process in IDA20.

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[108] See for instance the multiple RW-funded projects under the Regional Disease Surveillance Systems Enhancement (REDISSE) program in West Africa.

[109] Up to now, three countries are required to participate, but only two if one is FCS. The policy also allows the Regional Window to finance operations located in a single country when it is clearly expected to generate transformational impacts at the regional level or contribute to global public goods. Single country operations are subject to early Board consultation.

[110] This change builds on recommendations from the Independent Evaluation Group (IEG). See Independent Evaluation Group. 2019 *Two to Tango: An Evaluation of World Bank Group Support to Fostering Regional Integration*. Washington, DC: World Bank.

While the number of refugees living in IDA countries has increased from 8.9 million in 2017 to 9.5 million in 2020, refugees continue to largely concentrate in the same IDA countries, with the number of WHR-eligible countries expected to increase slightly with some new entrants in the Africa and East and Central Asia regions, while overall needs are likely to rise for refugees and hosting communities. The size of the WHR will [increase] in nominal terms compared to IDA19, i.e., $[amount] billion for IDA20. IDA yellow light countries will benefit from softer terms under the WHR, with fifty percent grants and fifty percent 50-year credits in IDA20 (instead of 50 percent grants and 50 percent regular IDA credits in IDA19).[111] Implementation arrangements for the IDA20 WHR are outlined in Annex 5.

148. **Participants agreed to increase the size of the Crisis Response Window and include a high-level cap for ERF.** The CRW has long been a key part of IDA's crisis management toolkit and has again proven its usefulness since the beginning of the COVID-19 crisis. It remains particularly valuable to IDA Fragile and Conflict-affected Situations (FCS), which often face overlapping crises and have received 63 percent of CRW allocations to date. While the CRW is mainly for crisis response, it will also support the IDA20 priorities of building back better and crisis preparedness, as CRW-financed response interventions typically integrate elements to strengthen resilience to future shocks. Sizing the CRW is challenging due to the varied crises it covers, and difficulties in predicting the timing and severity of crises. For instance, underutilization in IDA16 led to reallocations out of the window, while demand was very strong in IDA17. Usage was uneven in IDA18, with modest utilization in the first two years before demand surged as COVID-19 struck. In IDA20, the CRW will be sized at $[amount] billion, a figure that reflects both the need to protect countries against increased vulnerability to shocks, especially food crises, while ensuring a progressive transition from COVID-19 crisis response to building back better and greener in the outer years of IDA20. Within this envelope, up to $1 billion will be made available for ERF, twice as much as in IDA19 initially.[112] The ERF cap on pre-allocated Contingency Emergency Response Components will be raised from $12.5 million to $25 million per country. Implementation arrangements for the CRW are outlined in Annex 7.

149. **Participants agreed to provide additional concessional resources under the Scale-Up Window (SUW) as SMLs to scale up investments in building back better and greener in IDA20**. The new SUW-SMLs will be sized at $[amount] billion and will be offered on the new financing terms described in paragraph [155]. They will provide additional volume of concessional resources to countries that are IDA-only countries at low or moderate risk of debt distress, as well as Gap and Blend countries (except Small States that are at high risk or in debt distress). The SUW-SMLs will provide resources for countries to further scale up investments aligned with the IDA20 overarching theme of building back greener, more resilient, and more inclusive. As per existing SUW practices, each Region will be provided a notional indicative allocation of SUW-SMLs for IDA20, based on the regions' share of country allocations among all eligible countries, which will

[111] The WHR offers all red light countries regardless of country group 100 percent grants for the WHR portion of WHR operations. IDA-only green light countries receive 50 percent grants and 50 percent credits for their WHR portion of WHR operations. Gap and Blend countries that are not in red light status receive 50 percent blend credits and 50 percent grants for their WHR portion of WHR operations. All WHR countries will continue to contribute at least 10 percent of their PBA toward WHR operations on their given Regular PBA terms.

[112] The ERF helps finance operations to respond to slower-onset crises at an earlier stage of progression. This contrasts with the traditional "last resort modality" of the window, to support response to natural hazards, public health emergencies, and severe economic shocks.

then be refined based on actual demand and pipeline review. An analysis of the future impact of SUW-SMLs suggested high demand from eligible clients and limited effects on debt sustainability. SUW financing on SML terms could even result in improvements in debt burden indicators under some scenarios. This is the case when additional SML financing would be used to substitute for less concessional external financing. However, to further reduce debt risks, access to SMLs – whether through country allocations or SUW - for countries with debt vulnerabilities will be subject to compliance with PPAs under the SDFP. Access for IDA-only yellow light countries will be conditioned to an ex-ante Debt Sustainability Analysis confirming that SMLs will not worsen debt sustainability risks. Management will closely monitor the use of SMLs and provide a review for the IDA20 Medium Term Review (MTR). Implementation arrangements for the SUW-SMLs, including on eligibility and prioritization criteria, are outlined in Annex 9.

150. **Participants also agreed to build in flexibility to adjust the size of each window within a range of 10 percent in IDA20**, in accordance with demand during the period with close monitoring by Management and reporting to IDA Participants.

iii. Arrears Clearance

151. **Participants agreed to set aside $[amount] million to support the possible re-engagement of IDA countries that are currently inactive.** Three countries remain in arrears to IDA with cumulative IDA arrears of $[amount] million as of [September 30, 2021], and total arrears to the World Bank of $[amount] billion.[113] The $[amount] million arrears clearance set-aside would cater for the possibility that one or more of these countries re-engage during IDA20. Such a set-aside will enable IDA to respond quickly to cases where the opportunity for re-engagement emerges unexpectedly, like in the case of Sudan. As per previous practice, unused funds in IDA20 would be carried over to IDA21, and if the set-aside turns out to be lower than needed, the shortfall will be included in the financing request for IDA21. The IDA20 MTR also provides an opportunity to reassess the need to continue to reserve these resources or release them for other urgent needs during the IDA20 period.

B. Non-Concessional IDA Financing

152. **Participants acknowledged the need to maintain the regular SUW to provide countries with healthy debt outlooks the opportunity to pursue selected high-impact operations at IBRD terms**. The demand for SUW's non-concessional financing continues to grow among eligible countries, although rising debt vulnerabilities may render more countries ineligible.[114] Based on these counter-balancing factors, regular SUW will be sized at $ [amount]

[113] Eritrea and Syria have recent IDA arrears and are currently not eligible for arrears clearance set-aside support, as this was limited to countries with protracted arrears that had accrued before the inception of arrears clearance set-aside support in 2007. Zimbabwe's arrears are older and larger and while not currently eligible for debt relief under the heavily indebted poor countries (HIPC) initiative, the possibility that Zimbabwe could qualify for HIPC has been retained in the relevant HIPC ringfencing exercise. Options for Zimbabwe's re-engagement are under consideration including via HIPC and non-HIPC routes.

[114] Because regular SUW financing is offered on non-concessional terms, country eligibility is based on a country's risk of debt distress and in compliance with IDA's Sustainable Development Finance Policy (SDFP) and the

billion in IDA20 and allocated across regions based on the respective share of country allocations of their eligible countries. All operations to be considered for regular SUW financing will continue to be carefully screened to ensure that they would not exacerbate debt vulnerabilities in recipient countries. Country eligibility criteria remain the same as in IDA19. Implementation arrangements for the non-concessional regular SUW are outlined in Annex 9.

153. **Participants agreed to scale up the Private Sector Window (PSW) by [no.] percent, with enhanced support to Micro, Small and Medium Enterprises (MSMEs) and MSMEs incubators, in collaboration with IFC and MIGA.** The PSW will be sized at $ [amount] billion to sustain momentum in catalyzing impactful private sector investments in IDA-only and IDA FCS markets. The size of the PSW may be reviewed at the IDA20 MTR, especially if more resources are needed to scale up private sector investment in COVID-19 vaccine production or large-scale infrastructure investments to build back better. The IDA20 PSW will build on the strong implementation progress and valuable lessons learned during IDA18 and IDA19, such as additional upstream efforts on project development and preparation, working as one WBG with IFC and MIGA. Moreover, in IDA20, IFC and MIGA will complement the existing project information disclosed to the public with systematic impact and mobilization data for projects benefiting from PSW support. Subject to the approval of individual investment transactions by the IDA Board of Executive Directors, up to $100 million out of PSW Blended Finance Facility resources will be used to support MSMEs incubators and accelerators. Through a "fund of funds" approach, the PSW will co-invest with IFC and de-risk all investors in a fund as needed to catalyze investments, make funds viable, and ensure adequate return for incubators/early-stage fund managers. As part of this initiative, PSW will establish a very high-risk tolerance seed capital fund of up to $15 million. This will be fully funded by the PSW and eligible to invest, without IFC's co-investment in the initial stages, up to $1 million in each emerging fund manager, helping them to establish a track record to assist in mobilizing private investment capital in the future. Implementation arrangements for the IDA20 PSW are outlined in Annex 8.

C. LENDING TERMS

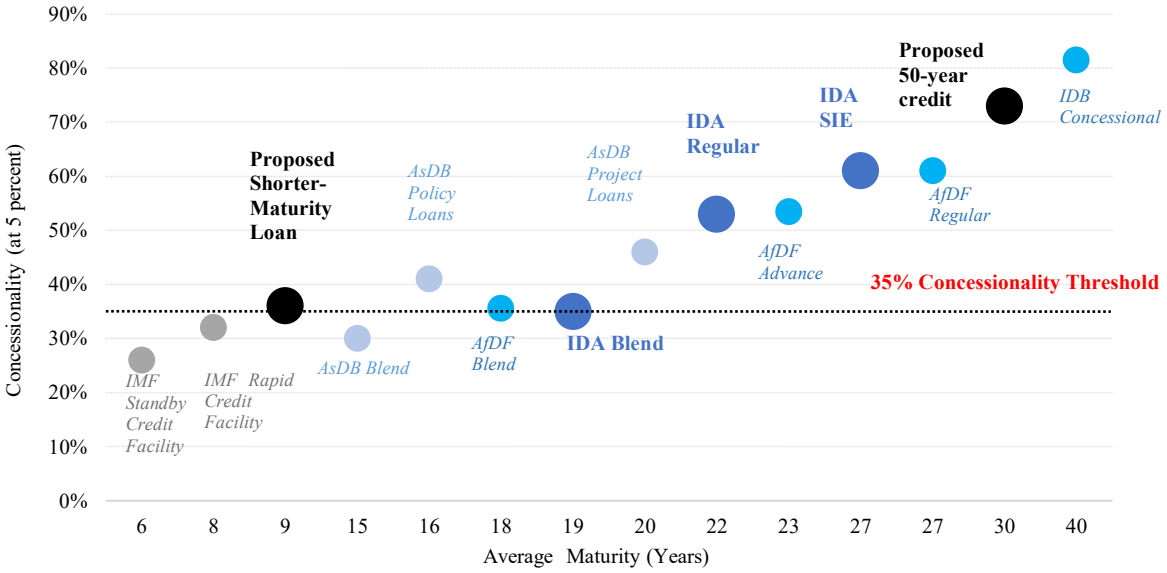
154. **Participants agreed to introduce new financing terms in IDA20 to prioritize grants for countries facing acute debt risks, while providing additional volumes for all other countries to meet their heightened financing needs.** Two changes to financing terms are introduced in IDA20: (a) the provision of 50-year credits for IDA-only yellow light countries in lieu of the grant-credit mix in IDA19, and (b) the introduction of concessional SMLs in two parts of the financial architecture. The first portion of SMLs will be allocated through the country allocations based on PBA system. As such, IDA-only yellow light countries, IDA-only green light countries, as well as all Gap and Blend countries (unless they are red light Small States) will receive a small portion of their country allocations as SMLs but continue to receive the most of their country allocation as regular-term PBA. The second portion of SMLs will be allocated

IMF's Debt Limit Policy. Countries subject to a Low-Income Country Debt Sustainability Framework (LIC-DSF) are eligible only if they are at moderate or low risk of debt distress. Eligibility of countries that are not subject to a LIC-DSF is considered on a case-by Case basis, subject to confirmation of compliance with the SDFP and the IMF's Debt Limit Policy. At the beginning of IDA19, 36 countries were eligible for SUW, based on their risk of debt distress status. In FY21, Guinea-Bissau lost eligibility when it was assessed as a country at high risk of debt distress. The remaining 35 countries continue to be eligible.

through the SUW, enabling around two-thirds of IDA countries to secure additional volumes of concessional resources on a demand basis to support high-impact investments aligned with the IDA20 agenda. SMLs – both PBA-SMLs and SUW-SMLs – are planned to be offered only during IDA20.

155. **The 50-year credits will be for IDA-only yellow lights** (with exception for Small States),[115] and have 50-year final maturity, 10-year grace period, and zero interest or service charges. SMLs have 12-year final maturity, 6-year grace period, and zero interest or service charges, making them concessional. The proposed SML terms compare well with other types of financing available to IDA countries. For instance, they provide a slightly longer maturity profile and a higher degree of concessionality than the IMF's Rapid Credit Facility, which has been the IMF's primary instrument for COVID-19 related financing for LICs. They also compare well to recent market bonds issued by IDA countries.[116] These two lending terms will help IDA countries to fight COVID-19 and scale up support as countries build back better and greener, while protecting debt sustainability. See Figure 4.1 for how both terms compare with existing IDA terms, and products of other multilateral development banks (MDBs) for IDA countries.

Figure 4. 1. New IDA20 Terms Compared with Products of Other MDBs for IDA Countries



Source: *Concessionality figures represent WB staff estimates.*
Note: *Over the six-month period of March to August 2021, only a few IDA-only countries accessed the Eurobonds market, these had borrowing terms that provided no concessionality, measured at 5%.*

[115] In IDA20, IDA-only yellow light Small States would continue to maintain their current financing terms of 50 percent grant and 50 percent credits on Small Economy Terms (40-year maturity, 10-year grace period, 0.75 percent service fee), considering the larger impact this change would have on the concessionality they receive compared to other yellow light countries and the particularly high vulnerability they face. Countries that would fall under this exception include Vanuatu, Solomon Islands, and Comoros.

[116] Based on the illustrative case of approximately $6 billion of Eurobonds accessed by four IDA-eligible countries in the last 6 months, these had on average 12 years average maturity, and roughly 7 percent interest rate.

156. **Aside from these new terms and minor exceptions outlined below, Participants agreed to retain IDA19 financing terms and the existing grant allocation framework in IDA20.** For IDA-only countries (i.e., not Gap or Blend), grant eligibility will continue to be based on their risk of external debt distress. IDA-only countries at low risk of debt distress (green light) will continue to receive their concessional IDA resources *mostly* on regular credit terms along with a small portion in SMLs under country allocations. IDA-only countries at moderate risk of debt distress (yellow light) will now receive their IDA resources *mostly* as 50-year credits along with a small portion in SMLs.[117] IDA-only countries at high risk of debt distress (red light) will continue to receive their country allocations *fully* on grant terms, subject to a ceiling of $1 billion per fiscal year per country.[118] Gap and Blend countries will continue to borrow *mostly* on Blend terms along with a small portion in SMLs.[119] IDA20 financing terms are summarized in Figure 4.2.

Figure 4. 2. Overview of IDA20 Financing Terms

Lending Group		Financing Terms*	
	Risk of External Debt Distress	Non-Small States	Small States
IDA-only Countries	High Risk or in Debt Distress	• Grants	• Grants
	Moderate Risk	• 50-year credits (new) • 12-year concessional SMLs	• Half grants and half 40-year credits (small economy) • 12-year concessional SMLs
	Low Risk	• 38-year credits (regular) • 12-year concessional SMLs	• 40-year credits (small economy) • 12-year concessional SMLs
Gap Countries		• 30-year credits (blend) • 12-year concessional SMLs	• 40-year credits (small economy) • 12-year concessional SMLs**
Blend Countries			

Note:
**Some of the financing terms are adjusted under IDA Windows. This includes: (i) Softer terms for most country lending groups under the WHR, (ii) flexibility to adjust terms in case of natural disasters under the CRW, (iii) provisions to offer credits and grants to regional organizations under the RW, (iv) credits at IBRD terms and SMLs under the SUW, and (v) IFC and MIGA financing terms under PSW. Please refer to Windows implementation arrangements in Annex for more details.*
*** Except for red light Small States.*

[117] This represents a change to IDA19, where IDA countries at moderate risk of debt distress (yellow light) received their IDA allocations 50 precent on credit terms and 50 percent on grant terms.

[118] The ceiling applies to country allocations, including both Regular PBA and PBA-SMLs, but not windows, and can be backloaded/frontloaded within the replenishment period.

[119] Red light Gap and Blend Small States are not eligible for SMLs.

157. **As mentioned above, the bulk of IDA20 country allocations will continue to be offered on regular PBA terms,[120] with a small portion offered as SMLs.** SMLs are expected to account for no more than [no. to no.] percent of the total IDA20 country allocations. All countries - other than IDA-only red light countries which will continue to only receive grants, and Gap and Blend red light Small States which will continue to only receive small economy terms - will receive a share of their country allocation as PBA-SMLs. The share of PBA-SMLs will be higher for IDA-only green light countries, Gap and Blend countries than for IDA-only yellow light countries, for which half of the financing is currently provided in grants in IDA19. SDFP set-asides would be taken first from SML allocations. Finally, financing terms for any additional country allocations secured through the FCV envelope will follow the same composition and share of terms as the PBA. Details on financing terms under the PBA and the FCV envelope are provided in Annexes 3 and 4.

158. **Financing terms for IDA windows will remain the same as in IDA19, with the exception of the SUW and WHR.** As outlined in paragraphs [148 and 150], the SUW will comprise two distinct parts in IDA20: the non-concessional regular SUW, where eligible countries can borrow on IBRD terms (group A), and the new concessional SUW-SML, offered at the terms described in paragraph [155]. With regards to the WHR, to offer higher concessionality to IDA-only yellow light countries, these countries will be able to finance window operations at 50 percent grant / 50 percent 50-year credits, as opposed to 50 percent grant / 50 percent regular IDA credits in IDA19. Details on financing terms for IDA windows are outlined in the respective window implementation arrangements provided in the Annexes.

D. LOCAL CURRENCY FINANCING

159. **Participants discussed possible options to increase access to local currency financing for IDA clients, with due consideration to IDA's financial sustainability and following the discussion of the first paper in October 2020.**[121] Due to the underdeveloped capital markets in IDA countries and the non-existence of liquid swap markets, as well as the large size and long tenor of IDA loans, and sovereign nature of IDA clients vis-à-vis private sector focused MDBs, discussions centered around solutions that would be scalable, affordable to IDA countries, and would not create additional cost or risk for IDA.

160. **Participants agreed to introduce fully hedged local currency financing in IDA20 with a pilot completed by IDA20 MTR.** IDA will provide local currency financing to its borrowing members by introducing the currency conversion options in its concessional financing and hedging its exposure through issuing local currency bonds or entering cross currency swaps with market counterparties, subject to market availability. The fully hedged local currency lending requires no or little support from IDA capital (over and above lending in hard currencies) and will not affect IDA's lending volumes. The existing IDA lending under SUW currently has a conversion clause in the loan agreement, which already allows non-concessional loans to be converted into other currencies with a hedging opportunity. In addition, IDA will add into IDA's concessional loan agreement an option to allow borrowers to convert their concessional borrowing into one of the

[120] Regular PBA financing excludes concessional SMLs.

[121] See World Bank. 2020. *Local Currency Financing in IDA Countries, Stage One Report to IDA Deputies*. Washington, DC: World Bank Group.

SDR component currencies or non-SDR local currency terms as well, at their choice and subject to market availability. This conversion option could help borrowers improve their debt situation, and particularly those who borrow through SMLs.[122] The hedging costs will vary based on the currency, maturity, availability of market counterparts, and prevailing economic environment. Similar to the existing conversion option in its non-concessional financing, IDA will offer the fully hedged local currency concessional loans on a cost-recovery basis. Implementation arrangements will be developed in due course.

161. **Participants acknowledged that unhedged local currency lending would require significant amount of additional risk capital to fully absorb the exchange rate risk and would reduce IDA's overall regular lending volumes unless accompanied by additional donor contributions.** They encouraged IDA to continue considering the unhedged local currency lending in the future when it can deploy the necessary capital and if there would be demand for it.

SECTION V: MANAGING IDA'S FINANCIAL RESOURCES

162. **Participants endorsed a total replenishment of $ [amount] billion (equivalent to SDR [amount] billion) for IDA20,[123] which would constitute the IDA20 commitment authority envelope, financed by new contributions and a $[amount] billion (equivalent to SDR [amount] billion) carry-over from IDA19.**

A. COMMITMENT AUTHORITY

163. **Participants supported continuation of sustainable leveraging in the IDA hybrid financial model guided by the key leveraging principles agreed in IDA18**:

a. Maintaining IDA's ability to continue fulfilling its mission in the future, as well as predictability and stability of financing for clients;

b. Ensuring IDA's ability to service debt without restricting future lending capacity, without negatively affecting its leveraging potential at future replenishments, and without creating hidden liabilities for Partners; and

c. Preserving IDA's ability to adjust its policies at future replenishments, ensuring that decisions for the current replenishment do not pre-commit future funding levels, lending volumes, and allocation principles.

164. **Policies on the scale, funding, and allocation of IDA resources, reflecting the three main financial policy levers – replenishment size, Partner contributions, and concessionality – can be adjusted over time.** Adjustments will be made according to evolving circumstances and in the context of future replenishments, safeguarding IDA's continued ability to provide its clients financing at scale over the long-term, For instance, while Participants recognized the flexibility

[122] Assuming more affordable price and market hedging opportunity for SML with a shorter maturity and lower coupon rate.

[123] At the IDA20 foreign exchange reference rate of SDR/$1.42934.

offered by the hybrid financial model, including the potential to scale up financing in response to severe and large-scale global crisis where it was judged critical to draw forward financing capacity, this will be done in a sustainable manner, protecting IDA's triple-A rating and cost-effective access to markets to allow stability in future financing to clients and preserve capacity to respond to major crises. Choices would be made within the limits of appropriate credit risk, capital adequacy and exposure management frameworks, including overall lending limits and financial ratios commensurate with IDA's risk-bearing capacity.

165. **Participants affirmed their strong support for IDA and confirmed the importance of Partner contributions in the integrated financing framework given the need to provide grants and concessional credits to countries.** While leveraging introduced in the IDA hybrid financial model offers significant value for money for Partner contributions, Participants recognized that market debt is not a source of concessionality and thus donor contributions remain critical for IDA to provide grants and blend resources with market debt to provide other concessional financing. Strong shareholder support through continued grant contributions is also critical to IDA's financial framework for the hybrid financial model to successfully leverage funds and be financially sustainable over the long term. Participants also reiterated their commitment under the Multilateral Debt Relief Initiative (MDRI) to fully finance the costs to IDA of providing MDRI debt relief and their agreement that the financing of these costs would be additional to regular IDA contributions.

B. CONTRIBUTION AND IBRD TRANSFERS

166. **IDA20 commitment authority will be supported by Partner grant contributions including the grant element of the concessional loans from Partners and transfers from IBRD.**[124] These resources, as well as IDA's existing equity, enable leveraging through the capital markets to fund IDA20 commitments.

167. **Partner contributions supporting IDA20 commitment authority are provided as part of the IDA20 replenishment itself as well as under the MDRI replenishment.** Participants noted that Management will review IDA's commitment authority and report to the IDA Board of Executive Directors on a regular basis. This review will take into account the status of Partner financing commitments to the IDA20 replenishment and the MDRI replenishment, as well as any significant changes in the financial variables impacting IDA's financial projections. In the event of a shortfall of Partner commitments, the level of IDA20 commitment authority could be adjusted over the course of the IDA20 period. Management will consult with the Board and, as necessary, make adjustments to the level of IDA20 commitment authority. Such adjustment will be guided by the financial and risk management framework and principles of IDA's long-term financial sustainability.

168. **Participants endorsed $[amount] billion (equivalent to SDR [amount] billion)] of total Partner contributions for the IDA20 Replenishment.** IDA20 Partner contributions comprise: (i) basic contributions of $ [amount] billion (equivalent to SDR [amount] billion), which includes grant contributions of $ [amount] billion (equivalent to SDR [amount] billion) and the grant

[124] The IBRD transfers are made out of its net income and are subject to annual approvals by the IBRD's Board of Governors after considering IBRD's reserve retention needs as required by IBRD's Articles.

element of $ [amount] billion (equivalent to SDR [amount] billion) from Concessional Partner Loan (CPL) contributions; and (ii) contributions to cover IDA's debt relief costs under the Heavily Indebted Poor Countries (HIPC) Initiative in IDA20 amounting to $ [amount] billion (equivalent to SDR [amount] billion); (iii) contributions to arrears clearance support amounting to $ [amount] billion (equivalent to SDR [amount] billion). In addition, Partner contributions are expected to generate investment income amounting to $ [amount] billion (equivalent to SDR [amount] billion) by using a regular encashment profile of 9 years.[125] Partner contributions (subscriptions and contributions) underpin IDA20's commitment authority.

169. **New and prospective Partners.** [Country Name], [Country Name], and [Country Name] pledged to become new IDA contributing Partners and [Country Name] has returned as a donor. In addition, [Country Name], [Country Name] and [Country Name] pledged to make donations to IDA20 as non-members. Participants noted that, in their view, there are still a number of countries that have the economic capability to contribute to IDA but have not yet done so. They welcomed Management's efforts to reach out to these countries and continue to encourage them to become IDA Partners.

170. **Additional grant contributions.** Partners may, at any time, make additional grant contributions to the amounts shown in [Table 1] of Annex 15.

171. **Structural gap in reported Participants' burden shares.** Participants agreed that a Dual Reporting Approach—reporting both gross and net donor burden shares—represents a pragmatic and balanced path forward and adequately addresses Participants' concerns with the current approach with respect to their reported burden share and the impact of the increasing structural gap. Participants agreed to implement this new approach in IDA20.

172. **Voting rights.** IDA Executive Directors completed the review of IDA's voting rights framework and presented their recommendations to IDA Governors during the 2021 Annual Meetings. IDA Governors supported the recommendations, which will be implemented in IDA20.

173. **Participants reaffirmed the need to provide additional Partner contributions for the MDRI replenishment of $ [amount] billion (equivalent to SDR [amount] billion), to cover IDA's debt relief costs due to the MDRI during IDA20.** Partner contributions to the MDRI replenishment are governed by the MDRI Resolution.[126] Under the terms of the MDRI Resolution, IDA has undertaken to reflect changes in actual and estimated costs of MDRI debt forgiveness by making adjustments to Partner contributions to MDRI every three years – normally in conjunction with regular replenishments.[127] The additional partner contribution MDRI amount of $ [amount] billion reflects a two-year additional costing period for IDA20, rather than the usual three years, as Partners have already agreed to provide unqualified financing for the first year of IDA20 (FY23) as part IDA19 MDRI costing update. Revised Compensation Schedule and Partner Contribution tables to the MDRI Resolution, reflecting the updated cost estimates for the MDRI as of June 30, 2021, have been provided to members. Corresponding adjustments to reflect these updated

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[125] Amounts may not add up due to rounding.

[126] IDA, *Additions to IDA's Resources: Financing the Multilateral Debt Relief Initiative: IDA Resolution No. 211* adopted by IDA's Board of Governors on April 21, 2006 (the "MDRI Resolution").

[127] Paragraphs 1(f), 2(c) and 2(d) of the MDRI Resolution.

amounts are also required in the payment schedule attached to each IDA member's Instrument of Commitment (IoC) for its MDRI subscription and contribution.[128] Section VI: Financing Debt Relief and Arrears Clearance below provides further information regarding Partner contributions to finance debt relief costs under the HIPC Initiative, the MDRI and arrears clearance operations.

174. **Participants noted that, as agreed as part of the 2018 WBG Capital Package, the IBRD income transfer formula used in IDA18 will continue to be applied in future replenishments.** The current estimate for IDA20 is approximately $ [amount] billion (equivalent to SDR [amount] billion). These transfers will be subject to annual approvals by IBRD's Board of Governors based upon evaluations of IBRD's annual results and after considering IBRD reserve retention needs.

175. **Per the 2018 WBG Capital Package agreement, IFC transfers to IDA will remain suspended.**[129] Instead, the income transfer is expected to be redeployed to support expanded IFC activities in IDA countries, as such boosting IFC's direct engagement in IDA countries. Included in the commitments are IFC's aim to expand commitments in IDA and in IDA FCS and reach up to 40 percent of all IFC commitments by 2030 and an average of 32.5 percent over FY19-FY30. To that end, see also the IDA policy commitment under the JET Special Theme, in which IFC will aim to increase the share of its commitments in FCS-IDA17 & LIC-IDA17 countries,[130] reaching 12-17 percent of its Own-Account commitment on average during the IDA20 cycle, with an intent to reach an Own-Account annual commitment of 14-17 percent in the last fiscal year of IDA20.

176. **Participants acknowledged that CPLs represent an effective way to leverage IDA's balance sheet. CPLs provide IDA interest-rate risk reduction benefits being low cost, fixed-rate, long-term funding to IDA, and provide Partners with increased flexibility to contribute to IDA.** They noted that concessional loan contributors would receive burden sharing recognition through voting rights based on the grant element of the loan, with such voting rights allocated following loan drawdown by IDA. Partners also noted that loan funding will not be earmarked for any purpose and will be used as part of IDA's overall pool of funding.

177. **Participants endorsed the principles of ensuring transparency, equal treatment, and additionality (i.e., avoiding substitution), and they reaffirmed their commitment to protect IDA's long-term financial sustainability.** While CPLs provide IDA Partners with flexibility to provide additional contributions, Partner grant contributions remain critical to IDA's hybrid financial model. In line with IDA17, IDA18 and IDA19 CPL Frameworks, the IDA20 CPL Framework therefore continues to seek to balance the strong incentives for Partners to provide grant financing with the need to provide recognition for the additional funding provided by concessional loans in a fair and transparent way.

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[128] Members will be notified of the necessary amendments to their MDRI IoC and the payment schedule following adoption of the IDA20 Resolution by the Board of Governors.

[129] *Sustainable Financing for Sustainable Development* DC2018-0002/2 (April 17, 2018).

[130] LIC-IDA17: Countries that are classified as low-income countries (LIC) as of July 1, 2016 (GNI per capita <=$1,025 in 2015). FCS-IDA17: The subset of IDA17-eligible countries that are also on the latest (FY19) FCS list. See Annex 4 of *IFC Strategy and Business Outlook Update (FY20-FY22)* for more details.

178. **Participants agreed that Partners who are providing concessional loans to IDA20 should provide at least 80 percent of their benchmark Minimum Grant Equivalent Contribution**[131] **(as defined below) in the form of a *basic grant* contribution**, and at least 100 percent of the benchmark Minimum Grant Equivalent Contribution in the form of a *basic grant equivalent contribution* (basic grant contribution plus the grant element of the CPL), where the benchmark Minimum Grant Equivalent Contribution is defined flexibly as follows:

a. The Minimum Grant Contribution benchmark is defined as 100 percent of a Partner's previous basic grant equivalent contributions (which would include basic contributions from grants and grant element from a CPL) based on the lower of IDA18 or IDA19 as the Partner prefers.

b. the Minimum Grant Contribution benchmark could be based on the Currency of the Pledge, National Currency or SDR amounts, as the Partner prefers.

179. **Similar to IDA17, IDA18, and IDA19, CPLs can be provided in SDR or single currencies of the SDR basket.** In addition, Partners welcomed the additional flexibility introduced in IDA19 to convert CPLs into an eligible non-SDR currency upon signature of the loan agreement.

180. **Participants agreed the proposal of adding 50-year maturity as the new CPL term into the framework,** which could provide additional flexibility and incentives for Partners contributing to IDA through CPLs. Participants also endorsed the revision of CPL discount rate calculation, to be based on the average interest rates over a 6-month period, ending August 31, 2021 for IDA20, instead of spot rates as of a specific date, to reduce the impact of market volatility.

181. Key IDA CPL financing terms and additional details of the IDA20 CPL Framework, including calculation of the grant element, are described in Annex 12.

C. REPLENISHMENT EFFECTIVENESS

182. **Partners recommended that financing for IDA20 be made subject to an effectiveness condition similar to that used under previous IDA replenishments.** The purpose of such a condition is to ensure that most Partner financing, including contributions by major Partners, is in place on time. Partners recommended that IDA20 become effective when Instruments of Commitment (IoC) including Qualified IoCs, and concessional loan agreements accounting in the aggregate for 60 percent of the total of Partner grant and concessional loan contributions as per [Table (no.)] of Annex 15,[132] have been received by IDA. They recommended a target effectiveness date for the replenishment of March 15, 2023.[133]

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[131] For the purposes of Minimum Grant Contribution benchmark calculation, IDA17 basic grant equivalent contribution includes compensation for grant principal foregone.

[132] Only grant element of concessional loan contributions is used for the purposes of meeting effectiveness condition.

[133] See Table 1 in World Bank. 2020.*Financing Options for IDA Countries*. Washington, DC: World Bank Group.

183. **Participants noted the importance of providing their IoC and signing their concessional loan agreements as early as possible, so as to advance the date of reaching the threshold for replenishment effectiveness.**[134]

184. **Participants also noted the importance of timely availability of Partner contributions for IDA's ability to provide grants.** As mentioned previously, with the hybrid financial model, Partner contributions are used to support increased concessionality and specifically grant financing for the poorest and most vulnerable countries.

185. ***Advance Contribution Scheme.*** In past IDA replenishments, Participants agreed that a share of their contributions could be used before the replenishment becomes effective unless otherwise requested by a Partner. Under this Advance Contribution Scheme, one-third of the amount specified in a contributing member's IoC received before effectiveness would be used for commitment authority purposes, unless stated otherwise by a Partner. Upon reaching replenishment effectiveness condition, the remaining amount of the Partners' IoC amounts will be used for commitment authority purposes.

D. CONTRIBUTION PROCEDURES[135]

186. **Participants recommended that the contribution and payment arrangements for grant contributors continue as in previous replenishments.**

a. **Partners will provide their *grant contributions* in the form of cash or promissory notes in three equal annual installments.** The first installment will be due 31 days after the replenishment becomes effective, which is expected by March 15, 2023, except for advance contributions, which will be paid as specified by IDA. The second installment will be paid no later than April 15, 2024, and the third installment no later than April 15, 2025. IDA may agree to postpone any payment under the terms of the IDA20 Resolution.

b. **Partners will provide their *CPLs* in the form of cash in up to three annual installments.** The first installment will be due 31 days after the replenishment becomes effective, which is expected by March 15, 2023, except for advance contributions, which will be paid as specified by IDA. The second installment will be paid no later than April 15, 2024, and the third installment no later than April 15, 2025. At its discretion and with the agreement of the loan provider, Management may draw down on different dates and over shorter periods. IDA may agree to adjust the concessional partner loan schedule under the terms of the Loan Agreement or as discussed with the Partners.

187. **Participants recommended that subscription and payment arrangements for non-contributing members continue as in previous replenishments.** Subscription payments of non-contributing members will be fully paid in one installment and in national currency or, with the

[134] Some Partners' budgetary and legislative timetables permit them to make their contributions at an early stage in the fiscal year.

[135] This section may need to be adjusted to align with Annex 15 on the Draft IDA20 Resolution (currently in development).

approval of IDA, in any convertible currency of another member country, either in cash or by promissory notes.

188. **Partner grant contributions, if provided in the form of promissory notes, will be encashed on an approximately pro rata basis among Partners following the agreed (Attachment II of the IDA20 Resolution) or custom encashment schedule.** Partners may, with the agreement of IDA, adjust their grant encashments to reflect their legal and budgetary requirements. Participants agreed to indicate any special preferences in this regard to Management before or when Partners deposit their IoC. Participants recognized that the timing of encashments affects IDA's resource base. They agreed that in exceptional cases, should unavoidable delays occur, IDA's grant encashment requests to the relevant Partner may be adjusted to take into account any past payment delays by that Partner and any related lost income to IDA. IDA may also agree with any Partner on a revised grant encashment schedule that yields at least an equivalent value to IDA. A Partner's voting rights will be affected if the net present value is not maintained. Participants agreed that the present value of Partners' grant encashment schedules will be based on a [no.] percent per annum discount rate. Partners that accelerate their grant encashments can use the additional resources as a credit item, either to increase their own regular burden share, to cover a share of their costs under the MDRI replenishment, or to cover a portion of payment arrears from previous replenishments. If a Partner uses their acceleration of the grant encashment to increase their regular burden share, that Partner will receive additional subscription votes on account of the additional resources provided to IDA from accelerated grant encashment. Partners that use accelerated grant encashment can alternatively benefit from a discount on the amounts encashed.

189. ***Valuation of contributions.*** Participants agreed to denominate their grant contributions in their respective national currencies if freely convertible, in SDRs, or, with the approval of IDA, in any convertible currency of another member country. They also agreed to determine the currency of denomination for each Partner's grant contribution as of the date of conclusion of the IDA20 replenishment discussions. For the purpose of establishing equivalence of value among different currencies and the SDR for grant contributions, Participants agreed to use the average daily exchange rate for the period between March 1, 2021 and August 31, 2021. To help maintain the value of contributions from Partners with high inflation rates, grant contributions from Partners with domestic annual inflation of 10 percent or higher in 2017-2019 will be denominated in SDRs or in any SDR component currency as agreed with IDA.[136] Participants noted that CPLs would be denominated in any one of the SDR basket currencies, namely the US Dollar, Euro, Japanese Yen, British Pound and Chinese Renminbi. Partners could request to convert such loan to a non-SDR currency based on agreed criteria as specified in the IDA20 CPL Framework (see Annex 12). They also agreed to determine the currency of denomination for each Partner's concessional loan as of the date of conclusion of the IDA20 replenishment discussions. Original currencies of denomination of Partners' grant contribution or Partners' concessional loans shall not be changed after the approval of the Deputies' Report by IDA's Executive Directors.

[136] Inflation is measured by the rate of change of the national Consumer Price Index (CPI), or the GDP deflator in case of contributing partner countries for which the CPI is not available.

190. **Participants agreed that the IDA19 unused funds carried over into the IDA20 period will be allocated using IDA20 terms, conditions, and procedures.** Partner contributions remaining outstanding at the end of IDA19 will be administered under the terms of the IDA20 replenishment subject, as appropriate, to the terms and conditions applicable to the IDA19 replenishment with respect to financial management matters such as payment, encashment and allocation of voting rights.

191. ***Reporting of contributions.*** Participants requested Management to report regularly to the IDA Board of Executive Directors on the status of Partners' commitment and actual contributions to IDA, including on the status of concessional loan contributions.

SECTION VI: FINANCING DEBT RELIEF AND ARREARS CLEARANCE

192. **Participants reiterated their strong support for the Heavily Indebted Poor Countries (HIPC) initiative and Multilateral Debt Relief Initiative (MDRI), which provide debt relief to the world's poorest and most indebted countries.** They reviewed updated cost estimates for IDA' lost credit reflows and the status of Partner financing for the MDRI.

A. THE HIPC INITIATIVE

193. ***Impact on IDA finances.*** Participants reviewed the impact of HIPC debt relief on IDA's finances. They reaffirmed the basic HIPC principle that debt relief should not reduce IDA's capacity to support poverty reduction and development and should be additional to other IDA assistance. IDA will need additional financing of around $ [amount] billion (equivalent to SDR [amount] billion) in IDA20 to finance forgone credit reflows due to the HIPC Initiative. Due to the truncation of IDA19, this amount covers two rather than three additional years (FY24 and FY25) of foregone credit reflows.

194. **Participants supported the continued use of the two mechanisms used in IDA18 for Partners' HIPC-related contributions:** (a) contributing to IDA directly; or (b) channeling contributions through the Debt Relief Trust Fund.[137] The HIPC-related contributions will be recorded separately from regular IDA contributions in order to ensure that HIPC debt relief is additional to other IDA assistance and shown as a separate column in Table 1a of the IDA20 Resolution (See Annex 14).

195. **Partner funds provided directly to IDA will be treated in the same manner as regular contributions, becoming part of IDA's general resources.** Partners can choose to submit one Instrument of Commitment (IoC) that combines regular IDA contributions and HIPC-related contributions, or separate IoCs for regular IDA contributions and HIPC-related contributions. Partners can pay their HIPC contributions in cash or promissory notes. Since these additional contributions will reimburse IDA for its forgone reflows during FY24-25, they will be drawn down

[137] As amended by Partners and the IDA Board of Executive Directors.

over the IDA20 period. Partners will receive voting rights for contributions upon payment to IDA20.[138]

B. THE MULTILATERAL DEBT RELIEF INITIATIVE

196. ***Replacement of lost credit reflows.*** In the Spring of 2006, Partners and shareholders approved IDA's participation in MDRI, which provides 100 percent cancellation of eligible debt owed to IDA by countries reaching the HIPC completion point. Starting on July 1, 2006 and over the next four decades of MDRI implementation, IDA is projected to cancel an estimated total amount of $33.1 billion (equivalent to SDR23.5 billion) of credit reflows from eligible HIPC countries. Under the MDRI replenishment arrangements, Partners have committed to compensate IDA's MDRI costs on a 'dollar-for-dollar' basis over the duration of the cancelled credits. Participants reiterated the need for full replacement of the lost credit reflows due to the MDRI to ensure that the debt relief granted by IDA will be additional for recipient countries, providing further resources for their development efforts.

197. ***MDRI replenishment.*** Partner contributions for IDA's MDRI costs are recorded under a separate replenishment and added to IDA's general resources following established IDA procedures. Participants reaffirmed the need for full replacement of lost credit reflows due to debt relief and their commitment "*to fully finance the costs to IDA of providing MDRI debt relief over the 40-year time span of the MDRI*".[139] Participants acknowledged the need to provide unqualified and firm MDRI financing commitments over the disbursement period of each future IDA replenishment. Participants meanwhile also recognized that the ability to provide binding financial commitments for the entire duration of MDRI varies from Partner to Partner and committed themselves to make every effort possible to translate their full political commitment into as firm and far-reaching financial pledges as allowed for by their legislative processes.

198. **To back IDA20 commitment authority,** Participants **reaffirmed the need to provide additional Partner contributions for the MDRI replenishment of $ [amount] billion (equivalent to SDR [amount] billion),** to cover IDA's debt relief costs due to the MDRI during the IDA20 disbursement period (ending in FY33) as agreed under the MDRI. The additional partner contribution amount reflects a two-year costing period, rather than the usual three years, as Partners have already agreed to provide unqualified financing for the first year of IDA20 (FY23) as part of the IDA19 MDRI cost update.

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[138] Partners can also make HIPC contributions directly to the Debt Relief Trust Fund. In such case, Partners would sign contribution agreements with IDA, as administrator of the Debt Relief Trust Fund, specifying the contribution amount and payment modalities – in cash or in notes to be drawn down over a three-year period. Partners will deposit their contributions in the WB component of the Debt Relief Trust Fund, and contributions will be transferred to IDA to reimburse IDA for its forgone credit reflows. Since these funds become part of IDA's general resources at the time of transfer from the Debt Relief Trust Fund to IDA's cash accounts, Partners will receive additional voting rights in IDA following such transfers. Management will report periodically to Partners on the status of their contributions to the Debt Relief Trust Fund.

[139] IDA, *Additions to IDA Resources: Financing the Multilateral Debt Relief Initiative*, approved by IDA's Executive Directors on March 28, 2006. Paragraph 5.

199. **Participants noted that the value of IDA's lost credit reflows under the MDRI will continue to fluctuate over the 40-year period.** The MDRI financing arrangements include a mechanism to adjust the compensatory amounts payable by Partners in conjunction with every regular IDA replenishment. Participants reviewed the updated cost estimates for the MDRI under the IDA20 replenishment which provide the basis for updates to the MDRI cost tables and partner payment schedule. Revised tables to the MDRI Resolution, reflecting the updated cost estimates, have been provided to IDA members. Corresponding adjustments to reflect these updated amounts are also required in the payment schedule attached to each member's IoC for its MDRI subscriptions and contributions. Participants noted that each IDA member has agreed to amend its IoC to reflect any such adjustment.

200. ***Monitoring Partner contributions.*** Participants reaffirmed the need for continued monitoring of Partner contributions to the MDRI. For transparency, Partner contributions to the MDRI will continue to be recorded separately from regular IDA replenishment contributions as additional to Partners' regular financial support to IDA. They noted that Partner contributions to the MDRI have been reported to the IDA Board of Executive Directors and will continue to be reported in the same way in IDA20. Such reporting will contain information on the volume of debt relief delivered by IDA under the MDRI and the amount of compensatory partner resources received.

C. FINANCING OF ARREARS CLEARANCE OPERATIONS

201. ***Burden shares***. Since IDA15, there has been a systematic approach to arrears clearance.[140] The cost of providing exceptional support for arrears clearance to countries that are eligible under the established criteria and which could be expected to clear arrears before the end of the IDA20 period is estimated to be $[amount] billion (equivalent to SDR [amount] billion). With no IDA19 arrears clearance set aside to carry-over, Partner contributions would therefore need to replenish the arrears clearance set aside for the full estimated amount.[141] In general, therefore, partners supported the use of their HIPC burden shares to finance arrears clearance operations in IDA20.

202. ***Resources for arrears clearance.*** Participants agreed that the resources provided to finance arrears clearance operations would be allocated only when such arrears clearance actually takes place. They also agreed that if the resources requested for IDA20 are insufficient to cover the full cost of the arrears clearance support, the shortfall would be made up in IDA21 in the same manner that HIPC costs are updated at each replenishment based on the use and availability of resources.

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[140] See section IV.C, page 31 in World Bank. 2008. *Additions to IDA Resources: Fifteenth Replenishment – IDA: The Platform for Achieving Results at the Country Level*. Washington, DC: World Bank. ; For a full discussion of the arrear's clearance needs of countries eligible for the exceptional arrear's clearance approach, see World Bank. 2019. *The Demand for IDA19 Resources and the Strategy for their Effective Use*. Washington, DC: World Bank.

[141] The $1 billion IDA19 arrears clearance set aside amount was fully utilized in Sudan's arrears clearance process.

203. **With respect to IDA countries with debt to the IBRD, Participants agreed that IDA provide debt relief grants or credits, where necessary, for the World Bank to deliver its share of debt relief under the HIPC Initiative**. Such debt relief grants from IDA (for interim HIPC relief on IBRD debt service payments) and prepayment by IDA of remaining IBRD claims at the HIPC completion point are part of the implementation modalities for IDA's delivery of debt relief under the HIPC process.[142] These debt relief grants and prepayments are to be funded by resources other than IBRD's net income transfers.

SECTION VII: RECOMMENDATION

204. Participants propose that the Executive Directors recommend to the Board of Governors the adoption of the draft IDA20 Resolution attached in Annex 15.

[142] World Bank. 2000. *Heavily Indebted Poor Countries (HIPC) Initiative: Note on Modalities for Implementing HIPC Debt Relief under the Enhanced Framework*. Washington, DC: World Bank

IDA20

Report from the Executive Directors of the International Development Association to the Board of Governors

Additions to IDA Resources: Twentieth Replenishment

Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future

ANNEXES

The conclusions and recommendations in this Report are tentative until final agreement has been reached

[Approved by the Executive Directors of IDA]

On [Month, Day, Year]

LIST OF ANNEXES

TABLE OF FIGURES, TABLES AND BOXES

Figures

Boxes

Tables

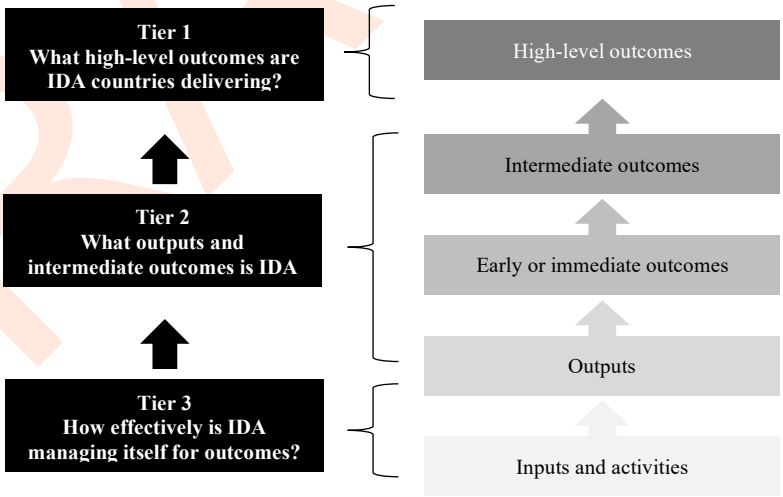
ANNEX 1. RESULTS MEASUREMENT SYSTEM

1. **Since its inception, the International Development Association (IDA) has served as a steady and reliable development partner, marshalling all its expertise and resources to help clients achieve high-level outcomes over the long term.** This support comes through an integrated package of financing, knowledge, and convening services, and is delivered directly by investing in infrastructure and services and indirectly by strengthening policies, systems, and capabilities. This combination allows IDA to build the foundations that underpin the effective use of IDA's and other resources and maximizes impact.

2. **For almost two decades, IDA's Results Measurement System (RMS) has measured success by how well IDA improves living conditions in the world's poorest countries rather than how much money it commits or how many projects it implements.** The RMS provides an aggregate view of IDA's business model, tracking its overall intervention logic. IDA complements the RMS with a wide array of information through numerous channels, from project and program results frameworks to independent and self-evaluation tools, feedback from clients, and multiple thematic and regional reports. These tools help the RMS stay focused on answering the most fundamental questions, offering opportunities for selective lesson learning, and contributing to better development outcomes.

3. **The three-tiered RMS structure disentangles the way IDA aims for outcomes following the results chain from inputs to results.** As shown in Figure A1.1, the RMS is structured in three tiers to facilitate an understanding of how IDA inputs and activities (Tier 3) deliver outputs and early and intermediate outcomes (Tier 2) that set the basis for high-level outcomes (Tier 1). While the correspondence between tiers and the logical chain is complex, this way of thinking helps to inform and prioritize the selection of meaningful indicators.

Figure A1. 1. IDA RMS Tiers Cover the Results Chain



Source: *World Bank staff. Results chain adapted from the outcome classification of the Independent Evaluation Group in Results and Performance 2020.*

a. **Tier 1 reports on the long-term development outcomes achieved by IDA countries and is primarily drawn from the World Development Indicators.** These data are publicly available and easily accessible. Progress against Tier 1 indicators is not directly attributed to IDA's interventions, but to the outcome of a collective effort by IDA countries and their development partners. They report data based on the list of eligible IDA borrowers at the beginning of the reporting fiscal year.

b. **Tier 2 tracks IDA-supported development results in client countries across different sectors and are primarily derived from project supervision reports.** These indicators aggregate the results delivered through IDA-financed operations during the fiscal year from the active portfolio and operations that closed during the year. Most Tier 2 indicators use a standard set of Corporate Results Indicators, but outcomes of IDA-financed operations necessarily extend far beyond what can be reported in the RMS. This section of the RMS also summarizes the extent to which this broader set of outcomes has been achieved by aggregating independent evaluations of outcomes of country programs and operations as well as client feedback on effectiveness of Analytics and Advisory Services.

c. **Tier 3 includes measures of IDA's operational and organizational effectiveness, largely drawn from the Bank's own operational databases.** With the right processes, systems, and financing in place, IDA strategically manages its portfolio from the initial strategy development to the implementation of projects, all the while aiming for development outcomes. This is not a minor task, with a portfolio of over 1,100 active projects totaling close to $150 billion in commitments. Steering a portfolio of this magnitude towards high-level outcomes requires clear metrics to continually assess portfolio priorities against capacity, determining which combination best advances IDA's ambitious goals. Tier 3 is organized around three categories. *Financing outcomes* tracks how IDA manages and leverages its resources to focus on the right priorities and amplify its impact. *Monitoring outcomes* measures Bank performance in IDA-financed operations, the quality of monitoring and evaluation, and results chains in gender and of indicators that track the results of climate change. *Implementing for outcomes* reports on the pace of implementation, the ability to turnaround under-performing operations, and the number of operations that prioritize relevant issues.

4. **The IDA20 RMS shows more explicitly how country programs contribute to high-level outcomes and green, resilient and inclusive development by regrouping indicators within tiers.** The revamped RMS links indicators vertically across tiers 1 and 2 by reorganizing both tiers around the IDA special themes and cross-cutting issues with explicit connections across the two tiers. The results reported in Tier 1 are not purely context, but also high-level outcomes to which Tier 2 outputs and intermediate outcomes contribute. To illustrate, Tier 2 tracks the number of women and children receiving nutrition services through IDA support, while Tier 1 tracks the prevalence of stunting. Although Tier 1 results are not attributable to any development organization, the scale of IDA's support as well as its recognized role as a thought leader means that IDA is a significant contributor to some of these Tier 1 results over time. Highlighting these links helps to show how substantial achievements at Tier 2 can be contextualized as drivers of change or progress at Tier 1. Similarly, the IDA20 RMS strengthens the connections between IDA outputs, early and intermediate outcomes in Tier 2, and IDA inputs and activities in Tier 3 by regrouping indicators into processes that are essential to manage for outcomes. Results are now going to be collected, analyzed, and presented in a way that not only provides performance information, but also illuminates logical connections that enable evidence-informed programming.

5. **The purpose of the IDA20 RMS is to measure and steer progress towards IDA20's ambition for a green, resilient and inclusive future.** A green future entails growth through environmental, socio-economic and financial sustainability; a resilient future safeguards

development by preparing countries and firms to mitigate and adapt to a wide range of risks and uncertainties; and an inclusive future ensures that the recovery does not leave anyone behind and reduces disparities in opportunities and outcomes. Realizing this vision requires IDA to help clients achieve high-level outcomes directly by investing in infrastructure and services in the five IDA20 Special Themes and indirectly by strengthening policies, systems, and capabilities through the four Cross- Cutting Issues. This combination builds the foundations that underpin the effective use of IDA and other resources to maximize impact. The IDA20 RMS includes indicators that measure progress of both pathways, disentangling the way IDA aims for outcomes.

6. **The IDA20 RMS is the most ambitious in the history of IDA**. The RMS targets have been stretched, aiming to deliver more and better outcomes for the world's poor. For example, gains on safety nets are being consolidated, and IDA20 aims to reach tens if not hundreds of millions more poor and vulnerable people compared to previous cycles. The coverage of the IDA20 RMS has also been stretched to report more holistically across the IDA20 overarching theme of a green, resilient and inclusive future. A total of 15 new indicators have been added to the IDA20 RMS, including on climate and biodiversity; on crisis preparedness; and on disability and inequality. All told, IDA20 is stepping up to deliver more and even better outcomes, and the RMS is a robust system that tracks all the key priorities of IDA20 and completes an exciting package.

7. **IDA20 is introducing complementary ways to strengthen the RMS's outcome orientation while data capabilities continue to evolve.** A foundational strategy for the IDA20 RMS is to adopt sentinel indicators as proxy for outcomes. Sentinel indicators are those that capture essential elements for achieving the ultimate desired change. These indicators are not necessarily outcome indicators, but progress in these indicators entails a higher likelihood of achieving the desired high-level outcomes, based on available evidence.

8. **As high-level outcomes take time to materialize, many indicators from the IDA19 RMS are carried over into IDA20, facilitating trend analysis**. RMS indicators need to be quantifiable, sensitive to regular changes, from widely accepted sources, and prone to aggregation across IDA countries. Furthermore, it is important to maintain some continuity of indicators across IDA cycles, as repeated revisions to indicators would disrupt data trends, making it difficult to analyze progress, and increasing the calculation and reporting load. Meanwhile, adjustments have been made to some indicators to capture emerging priorities and address any potential shortcomings.

9. **Because of the extraordinary circumstances that led to advancing IDA20 and thereby shortening IDA19, the IDA20 RMS will report Tier 2 results both for IDA20 on its own as well as cumulative results for IDA19 and IDA20 together**. This approach will encourage a longer-term perspective, smoothing out the expected wide variations in several indicators affected by the COVID-19 crisis and response. And it will allow stakeholders to account for the sum of results delivered over the longer five-year period. This cumulative reporting will cover only those indicators that are used in both cycles and will not include additional expected values or ranges beyond those identified for the individual cycles.

10. **IDA's commitment to outcome orientation involves strengthening alignment with the Sustainable Development Goals (SDGs), which represent a set of shared high-level outcomes that clients and development partners alike aspire to achieve.** Since IDA19, each of the 17 SDGs is covered in the RMS with at least one indicator, reflecting the goals' strategic directions, their targets, or specific indicators. The IDA20 RMS further increases its alignment with the SDGs by strengthening and incorporating indicators in several development areas**.** Tables A1.1 and A1.2 provide details on the proposed indicators, including their links to the Sustainable Development Goals and their expected value or range where applicable.

11. **IDA continues to strengthen and institutionalize outcome orientation, including through country engagement and in collaboration with other partners.** IDA is implementing a detailed roadmap to improve the organization's outcome orientation. This involves introducing high-level outcomes in Country Partnership Frameworks (CPFs), enhancing the role of Completion and Learning Reviews to better inform CPFs, and ensuring that Systematic Country Diagnostics identify long-term development outcomes, which are critical to the achievement of the twin goals, and articulate constraints and opportunities for achieving them. The adjustments to the country engagement guidance will allow IDA to show more explicitly how IDA-supported activities contribute to achieving high-level and long-term country outcomes, learn more frequently from implementation, and account for the indirect pathways that underpin the achievement of sustainable results. IDA results stories will continue to document the more nuanced, richer, and multiple dimensions that determine IDA's effectiveness at the country level, the cornerstone of its success. Outside the institution, the World Bank is leveraging its leadership role to strengthen coordination among MDBs and development partners to help clients enhance results-based monitoring and evaluation and outcome orientation.

12. **The IDA20 RMS provides more data disaggregation to reveal deprivations and inequalities and expose trends that may not be fully reflected in aggregated data.** Indicators in all three tiers are disaggregated by sex and for IDA countries characterized as Fragile and Conflict-affected Situations (FCS) where applicable and available. For instance, nearly all Tier 1 indicators are disaggregated by FCS, whereas disaggregation by sex is not possible for many indicators that track results at a country level (for example the number of countries with low or moderate risk for unsustainable debt) or community level (for example people provided with access to improved urban living conditions), or when an indicator is tracking the well-being of only one sex (for example maternal mortality rate). On disability inclusion, IDA20 will track the share of operations using the concept of universal access and the number of countries receiving technical assistance to strengthen collection of disability data. IDA remains committed to use the question sets from the Washington Group on Disability Statistics.

13. **Most indicators in Tiers 2 and 3 include an expected range or value for the IDA20 cycle.** For Tier 2, these are typically stretch targets based on the projected results of the active portfolio and targeted results for new operations and cover the cumulative delivery over the three-year cycle. They are expressed as a range to underscore a large degree of uncertainty as results in a given timeframe are dependent on client demand and influenced by external circumstances. For Tier 3, these are typically performance standards, and reflect the expected performance on an annual or rolling basis, depending on the indicator.

14. **Because IDA's services are customized to the needs of each client country, its results cannot be simple summarized with a small number of indicators.** Indeed, the RMS provides only a limited view of the breadth and depth of results IDA and its clients together deliver across a portfolio of more than a thousand operations in scores of countries. The RMS is therefore complemented by a set of results stories, each of which provides a deeper understanding of the nature of IDA's support on the ground, including its focus on helping client countries build the institutions to deliver high-level outcomes on a sustained basis over time.

Table A1. 1. IDA20 Results Measurement System

Table A1.1.a. IDA20 RMS - Tier 1: IDA Countries' Progress

No.	Indicator	Included in IDA19 RMS	New	Disaggregation		SDG
				FCS	Sex	
	WORLD BANK GROUP GOALS					
1	Population living on less than $1.90 a day (%)	✓		✓		1.1.1
2	Median growth rate of consumption/income per capita of the bottom 40 percent (%)	✓		✓		10.1
3	Countries with growth concentrated in the bottom 40 percent (%)	✓		✓		10.1
4	Gini index		✓	✓		10
	IDA20 SPECIAL THEMES					
	Climate Change					
5	CO_2 emissions (metric tons per capita)	✓		✓		9.4.1
6	Countries without wealth depletion (%)	✓		✓		12
7	[TBC] Countries without natural capital wealth depletion (%)		✓	✓		12
8	Average annual deforestation change (%)	✓		✓		15.2
9	Marine protected areas (% of territorial waters)	✓		✓		14.5
	Gender and Development					
10	Legal changes that support gender equality (number of legal changes)	✓		✓		5.1, 5.a
11	Ratio of female to male labor force participation rate (%)	✓		✓		8.5
	FCV					
12	Number of refugees by country or territory of asylum (million)	✓		✓		
13	Internally displaced persons, total displaced by conflict and violence (million - high estimate)	✓		✓		16
	Jobs and Economic Transformation (JET)					
14	GDP per person employed (constant 2011 PPP $)	✓		✓		8.2.1
15	Non-agriculture sectors, value added (as % of GDP)	✓		✓		
16	Annual growth rate of real GDP per capita (%)	✓		✓		8.1.1
17	Proportion of population with access to electricity (% of population)	✓		✓		7.1.1
18	Youth employment to population ratio (age 15-24) (%) - Youth employment to population ratio (age 15-24), women (%) - Youth employment to population ratio (age 15-24), men (%)	✓		✓	✓	8.6
19	- Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service provided (%)	✓		✓	✓	8.10.2

No.	Indicator	Included in IDA19 RMS	New	Disaggregation		SDG
				FCS	Sex	
20	Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service provided, bottom 40% (%)		✓	✓	✓	8.10
	Human Capital					
21	Prevalence of stunting among children under 5 years of age (%)	✓		✓		2.2.1
22	Maternal mortality ratio (number of maternal deaths per 100,000 live births)	✓		✓		3.1.1
23	Proportion of births attended by skilled health personnel (%)	✓		✓		3.1.2
24	Under-5 mortality rate (number of under-five deaths per 1,000 live births)	✓		✓		3.2.1
25	Incidence of HIV (% of uninfected population ages 15-49)	✓		✓		3.3.1
26	Contraceptive prevalence by modern methods (% of married women ages 15-49)	✓		✓		3.7.1
27	Adolescent fertility rate (number of births per 1,000 women ages 15-19)	✓		✓		3.7.2
28	Population of children who cannot read by end-of-primary-school age (%)	✓			✓	4.1
29	Lower secondary gross completion rate (%)	✓		✓	✓	4.1
	- Ratio of girls' to boys' completion rate	✓		✓	✓	4.1
30	Lower secondary enrollment rate (%)	✓		✓		4.1
	- Ratio of girls' to boys' enrollment rate	✓		✓	✓	4.1
31	People using basic drinking water services (% of population)	✓		✓		6.1
32	People using basic sanitation services (% of population)	✓		✓		6.2
	IDA20 CROSS-CUTTING ISSUES					
	Debt					
33	Number of IDA countries with low or moderate risk from unsustainable debt (Number)	✓		✓		17.4
	Governance and Institutions					
34	IDA countries with improved budget reliability, transparency of public finances, and control in budget execution (#)	✓		✓		16.6
35	Statistical Performance Indicators (score from 0 to 100)	✓		✓		17.19
36	Number of countries with increased tax fairness and progressivity		✓	✓		SDG 10 and 17
37	Unweighted average increase in tax-to-GDP ratio in at least those IDA countries with tax revenues below 15 percent of their GDP for three consecutive years (%)	✓		✓		17.1
	Technology					
38	Individuals using the internet (% of population in IDA countries)		✓	✓		9.c
	Crisis Preparedness					
39	Prevalence of undernourishment (% of population in IDA countries)		✓	✓		2.2

Table A1.1.b. IDA20 RMS - Tier 2: IDA-Supported Development Results

No.	Indicator	Included in IDA19 RMS	New	Disaggregation		SDG
				FCS	Sex	
	IDA20 SPECIAL THEMES					
	Climate Change					
1	Generation capacity of renewable energy (GW)	✓		✓		7.2
2	Net GHG emissions (total CO_2 equivalent/year)	✓		✓		9.4
3	People provided with access to clean cooking		✓	✓		
4	Number of IDA countries supported to implement and/or update their NBSAPs		✓	✓		15
5	Number of countries with completed Country Climate Development Reports (CCDRs)		✓	✓		13.2
	FCV					
6	Number of IDA FCS supported in building capacity to use field-appropriate digital open-source tools for collection and analysis of geo-tagged data, and apply this technology to enhance project implementation and coordination (No. of countries)	✓		✓		17.8
	Jobs and Economic Transformation (JET)					
7	Farmers adopting improved agricultural technology (million)	✓		✓	✓	2.4
8	Area provided with new/improved irrigation or drainage services (Ha)	✓		✓		2.4
9	People provided with new or improved electricity service (million)	✓		✓		7.1.1
10	Beneficiaries reached with financial services supported by World Bank operations (million) - People - Businesses	✓		✓	✓	8.10
11	Beneficiaries in IDA countries of job-focused interventions (million)	✓		✓	✓	8.5
12	Number of people with enhanced access to transportation services (million)	✓		✓		9.1
13	People provided with improved urban living conditions (million)	✓		✓		11.1
	Human Capital					
14	Beneficiaries of social safety net programs (million) Note: This indicator would disaggregate data reporting on SSN beneficiaries specifically from COVID-19 programs	✓		✓	✓	1.2
15	People who have received essential health, nutrition and population services (million) (Indicator reporting total from [sub]-indicators 16, 17 and 18 below)	✓		✓	✓	
16	Children Immunized (million)	✓		✓	✓	3.8
17	Women and children who have received basic nutrition services (million)	✓		✓	✓	2.2
18	Number of deliveries attended by skilled health personnel (million)	✓		✓	✓	3.1.2
19	Number of COVID-19 vaccine doses administered		✓			
20	Number of large-scale assessments completed at primary or secondary level (number)	✓		✓		4.1

No.	Indicator	Included in IDA19 RMS	New	Disaggregation		SDG
				FCS	Sex	
21	People provided with access to improved water sources (million)	✓		✓		6.1.1
22	People provided with access to improved sanitation services (million)	✓		✓		6.2.1
	IDA20 CROSS-CUTTING ISSUES					
	Debt					
23	Number of IDA countries publishing annual and timely public debt reports (number)	✓		✓		17.1
	Governance and Institutions					
24	Number of IDA countries provided statistical capacity building support by the WBG for the implementation of household surveys (number)	✓		✓		17.19
25	Number of countries receiving technical assistance to strengthen collection of disability data		✓	✓		
	Technology					
26	Number of people provided with enhanced access to broadband internet (million)	✓		✓		9.c
	Crisis Preparedness					
27	Countries supported toward institutionalizing disaster risk reduction as a national priority with IDA support (number)	✓		✓		13.2
28	Countries integrating adaptive social protection into national systems with IDA support		✓	✓		1.2
	DELIVERING OUTCOMES					
29	Satisfactory outcomes of IDA Country Partnership Frameworks (%, IEG Rating, 4-year rolling)	✓		✓		
30	Satisfactory outcomes of IDA operations:	✓		✓		
	-as a share of commitments (%, IEG ratings, 3-year rolling)	✓		✓		
	-as share of operations (%, IEG ratings, 3-year rolling)	✓		✓		
31	Advisory Services and Analytics (ASA) objectives accomplished (client rating, %)	✓		✓		
32	Client feedback in IDA countries on WBG effectiveness and impact on results (average rating scale: 1-10)	✓		✓		
33	Client feedback in IDA countries on WBG knowledge (average rating scale: 1-10)	✓		✓		

Table A1.1.c. IDA20 RMS – Tier 3: IDA Organizational and Operational Effectiveness

No.	Indicator	Included in IDA19 RMS	New	Disaggregation		SDG
				FCS	Sex	
	FINANCING OUTCOMES					
1	IDA Budget Anchor (%)	✓				
2	Bank budget to Portfolio Volume Ratio (per $ billion under supervision) ($ million)	✓				
3	Average cost of IDA supervision projects (implementation support) ($ thousand)	✓				
4	Share of climate co-benefits over total commitments in IDA-supported operations (%)	✓		✓		13.2
5	Share of adaptation co-benefits over total climate co-benefits in IDA-supported operations (%)	✓		✓		13.2
6	Total private mobilization of WBG-supported operations/transactions in IDA countries. - Direct mobilization ($ billion) - Indirect mobilization ($ billion)	✓		✓		17.3
7	Number of IDA countries with the lowest Human Capital Index supported to improve the sustainability of human capital financing	✓		✓		17.1
8	IDA financing commitments with disaster risk management co-benefits ($ billion)	✓		✓		13.2
	MONITORING OUTCOMES					
9	Satisfactory Bank performance in IDA-financed operations (%, IEG Rating)	✓		✓		
	-Overall	✓		✓		
	-At entry	✓		✓		
	-During supervision	✓		✓		
10	Quality of M&E in IDA-financed operations (%, IEG ratings, 3-year rolling)	✓		✓		
11	Number of IDA20 projects with a AA Resilience Rating		✓	✓		13.1
12	Percentage of IDA operations with substantial climate co-benefits including at least one climate change indicator in the results framework		✓	✓		13
13	Percentage of IDA-supported projects that demonstrate a results chain by linking gender gaps identified in analysis to specific actions that are tracked in the results framework (%)	✓		✓		5
	IMPLEMENTING FOR OUTCOMES					
14	Disbursement ratio (%)	✓		✓		
15	Proactivity Index (%)	✓		✓		
16	Number of IDA-supported operations that address and respond to gender-based violence (GBV) (number)	✓		✓		5.1
17	Number of country programs (SCDs and CPFs) informed by diagnostics on crisis preparedness		✓	✓		
18	Facetime index in FCS	✓		✓		

No.	Indicator	Included in IDA19 RMS	New	Disaggregation		SDG
				FCS	Sex	
19	Share of IDA IPF operations that applied the concept of universal access at design (% of approved IDA IPF in FY).	✓		✓		10.2
20	Number of countries supported by IDA to take IFF-related actions (number)	✓		✓		16.4
21	Client feedback on WBG on responsiveness and staff accessibility (average rating scale: 1-10)	✓		✓		
22	Client feedback on WBG on collaboration with other donors (average rating scale: 1-10)	✓		✓		17.16
23	Projects with beneficiary feedback at design (%)	✓		✓		

Table A1. 2. Annotated IDA20 RMS Indicators by Tier

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
	Tier 1: IDA Countries Progress				
	WBG goals				
1	Population living on less than US$1.90 a day	% of population	Staff estimates calculated using data from PovcalNet	2019	Not applicable
2	Median growth rate of consumption/income per capita of the bottom 40 percent	%	Global database of Shared Prosperity, calculated from the Global Poverty Working Group dataset	2019	Not applicable
3	Countries with growth concentrated in the bottom 40 percent	%	Global database of Shared Prosperity, calculated from the Global Poverty Working Group dataset	2019	Not applicable
4	Gini index	Index	Global database of Shared Prosperity, calculated from the Global Poverty Working Group dataset	Not applicable	Not applicable
	IDA20 SPECIAL THEMES				
	Climate Change				
5	CO_2 emissions	Metric tons per capita	World Development Indicators (WDI) Database	2018	Not applicable
6	Countries without wealth depletion	% of countries	Staff estimates based on WB data	2014	Not applicable
7	[TBC] Countries without natural capital wealth depletion (%)	% of countries	Staff estimates based on WB data	Not applicable	Not applicable
8	Average annual deforestation change	%	World Development Indicators (WDI) Database	2016	Not applicable
9	Marine protected areas	%, territorial waters	World Development Indicators (WDI) Database	Not applicable	Not applicable
	Gender and Development				
10	Legal changes that support gender equality	Number of legal gender changes	Women, Business and the Law dataset	September 2019-October 2020	Not applicable
11	Ratio of female to male labor force participation rate	%	World Development Indicators (WDI) Database	2019	Not applicable

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
	FCV				
12	Number of refugees by country or territory of asylum	Number	World Development Indicators (WDI) Database	2020	Not applicable
13	Internally displaced persons, total displaced by conflict and violence	Number (high estimate)	World Development Indicators (WDI) Database	2020	Not applicable
	Jobs and Economic Transformation (JET)				
14	GDP per person employed	constant 2011 PPP $	World Development Indicators (WDI) Database	2020	Not applicable
15	Non-agriculture sectors, value added (as % of GDP)	%	World Development Indicators (WDI) Database	2020	Not applicable
16	Annual growth rate of real GDP per capita	%	World Development Indicators (WDI) Database	2020	Not applicable
17	Proportion of population with access to electricity	%	World Development Indicators (WDI) Database	2019	Not applicable
18	Youth employment to population ratio (age 15-24) - Youth employment to population ratio (age 15-24), women - Youth employment to population ratio (age 15-24), men	%	World Development Indicators (WDI) Database	2019	Not applicable
19	Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service provided	%	World Development Indicators (WDI) Database	2017	Not applicable
20	Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service provided, bottom 40%	%	World Development Indicators (WDI) Database	2017	Not applicable
	Human Capital				
21	Prevalence of stunting among children under 5 years of age	%	World Development Indicators (WDI) Database	2019	Not applicable
22	Maternal mortality ratio	Number of maternal deaths per 100,000 live births	World Development Indicators (WDI) Database	2017	Not applicable
23	Proportion of births attended by skilled health personnel	%	World Development Indicators (WDI) Database	2018	Not applicable

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
24	Under-5 mortality rate	Number of under-five deaths per 1,000 live births	World Development Indicators (WDI) Database	2019	Not applicable
25	Incidence of HIV	% of uninfected population ages 15-49	World Development Indicators (WDI) Database	2020	Not applicable
26	Contraceptive prevalence by modern methods	% of married women ages 15-49	World Development Indicators (WDI) Database	2017	Not applicable
27	Adolescent fertility rate	Number of births per 1,000 women ages 15-19	World Development Indicators (WDI) Database	2019	Not applicable
28	Population of children who cannot read by end-of-primary-school age	%	World Development Indicators (WDI) Database	Not applicable	Not applicable
29	Lower secondary gross completion rate	%	World Development Indicators (WDI) Database	2017	Not applicable
	Ratio of girls' to boys' completion rate	%	World Development Indicators (WDI) Database	2017	Not applicable
30	Lower secondary enrollment rate	%	World Development Indicators (WDI) Database	2018	Not applicable
	Ratio of girls' to boys' enrollment rate	%	World Development Indicators (WDI) Database	2018	Not applicable
31	People using basic drinking water services	% of population	World Development Indicators (WDI) Database	2020	Not applicable
32	People using basic sanitation services	% of population	World Development Indicators (WDI) Database	2020	Not applicable
	IDA20 CROSS-CUTTING ISSUES				
	Debt				
33	Number of IDA countries with low or moderate risk from unsustainable debt	Number	Staff estimate using CPIA scores	2020	Not applicable
	Governance and Institutions				
34	IDA countries with improved budget reliability, transparency of public finances, and control in budget execution	Number	PEFA Secretariat	2019	Not applicable

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
35	Statistical Performance Indicators (score from 0 to 100)	Index	World Bank Statistical Performance Indicators	2019	Not applicable
36	Number of countries with increased tax fairness and progressivity	Number	Staff estimates using data from International Center for Tax and Development and Macro Poverty Outlook	Not applicable	Not applicable
37	Unweighted average increase in tax-to-GDP ratio in at least those IDA countries with tax revenues below 15 percent of their GDP for three consecutive years	Number	IMF WEO database; OECD Tax Statistics; GFS	Not applicable	Not applicable
	Technology				
38	Individuals using the internet in IDA countries	% of population	World Development Indicators (WDI) Database		Not applicable
	Crisis Preparedness				
39	Prevalence of undernourishment in IDA countries	% of population	World Development Indicators (WDI) Database		Not applicable
	Tier 2: IDA-Supported Development Results				
	IDA20 SPECIAL THEMES				
	Climate Change				
1	Generation capacity of renewable energy	GW	PADs	FY21	10 GW
2	Net GHG emissions	tCO2eq / year	Operations Portal and GHG Accounting Focal Points data submission files	FY21	Monitored
3	People provided with access to clean cooking	Number (millions)	PADs, ISRs, ICRs and other project documentation	Not applicable	20
4	Number of IDA countries supported to implement and/or update their NBSAPs	Number of countries	Staff assessment using on World Bank systems	Not applicable	20
5	Number of countries with completed Country Climate Development Reports	Number of countries	Staff assessment using World Bank systems	Not applicable	30-40
	FCV				
6	Number of IDA FCS supported in building capacity to use field-appropriate digital open-source tools for collection	Number of countries	PADs, ISRs, ICRs and other project documentation	FY21	18

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
	and analysis of geo-tagged data, and apply this technology to enhance project implementation and coordination				
	Jobs and Economic Transformation (JET)				
7	Farmers adopting improved agricultural technology	Million	IDA projects' ISRs and ICRs	FY21	6.5-7.0
8	Area provided with new/improved irrigation or drainage services	Ha	IDA projects' ISRs and ICRs	FY21	1.5-2.0 million
9	People provided with new or improved electricity service	Number of people (million)	IDA projects' ISRs and ICRs	FY21	35-50
10	Beneficiaries reached with financial services supported by World Bank operations - People - Businesses	Number of people/businesses (million)	IDA projects' ISRs and ICRs	FY21	5.0-6.5 (o/w 95% individuals and 5% firms)
11	Beneficiaries in IDA countries of job-focused interventions	Number of people (million)	IDA projects' ISRs and ICRs	FY21	Monitored
12	Number of people with enhanced access to transportation services	Number of people (million)	IDA projects' ISRs and ICRs	FY21	90-105
13	People provided with improved urban living conditions	Number of people (million)	IDA projects' ISRs and ICRs	FY21	15-20
	Human Capital				
14	Beneficiaries of social safety net programs (million) Note: This indicator would expand and disaggregate data reporting on SSN beneficiaries from COVID-19 programs specifically	Number of people (million)	IDA projects' ISRs and ICRs	FY21	75-375
15	People who have received essential health, nutrition and population services (Indicator reporting total from [sub]-indicators 16, 17 and 18 below)	Number of people (million)	IDA projects' ISRs and ICRs	FY21	285-430

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
16	Children Immunized	Number of people (million)	IDA projects' ISRs and ICRs	FY21	105-200
17	Women and children who have received basic nutrition services	Number of people (million)	IDA projects' ISRs and ICRs	FY21	140-150
18	Number of deliveries attended by skilled health personnel (million)	Number of people (million)	IDA projects' ISRs and ICRs	FY21	40-80
19	Number of COVID-19 vaccine doses administered	Number of doses (million)	IDA project documentation, World Bank SAP, staff calculations	Not applicable	Monitored
20	Number of large-scale assessments completed at primary or secondary level	Number	World Bank PADs	FY21	25-35
21	People provided with access to improved water sources	Number of people (million)	IDA projects' ISRs and ICRs	FY21	13-20
22	People provided with access to improved sanitation services	Number of people (million)	IDA projects' ISRs and ICRs	FY21	12-18
	IDA20 CROSS-CUTTING ISSUES				
	Debt				
23	Number of IDA countries publishing annual and timely public debt reports	Number of countries	PADs, ISRs, ICRs and other project documentation	FY21	30-35
	Governance and Institutions				
24	Number of IDA countries provided statistical capacity building support by the WBG for the implementation of household surveys	Number of countries	PADs, ISRs, ICRs and other project documentation	FY21	55

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
25	Number of countries receiving technical assistance to strengthen collection of disability data	Number	PADs, ISRs, ICRs, and other project documentation	Not applicable	Monitored
	Technology				
26	Number of people provided with enhanced access to broadband internet	Number of people (million)	IDA projects' ISRs and ICRs	FY21	80-88
	Crisis Preparedness				
27	Countries supported toward institutionalizing disaster risk reduction as a national priority with IDA support	Number of countries	PADs, ISRs, ICRs and other projects' documentation	FY21	55-70
28	Countries integrating adaptive social protection into national systems with IDA support.	Number of countries	PADs, ISRs, ICRs and other projects' documentation	Not applicable	Monitored
	DELIVERING OUTCOMES				
29	Satisfactory outcomes of IDA Country Partnership Frameworks	%, IEG rating, 4-year rolling	IEG	FY18-FY21 (4-year rolling)	70%
30	Satisfactory outcomes of IDA operations:	%, IEG rating, 3-year rolling	IEG	FY17-FY19 (3-year rolling)	
	-as a share of commitments	%, IEG rating, 3-year rolling	IEG	FY17-FY19 (3-year rolling)	80%
	-as share of operations	%, IEG rating, 3-year rolling	IEG	FY17-FY19 (3-year rolling)	75%
31	Advisory Services and Analytics (ASA) objectives accomplished	Client rating, %	World Bank Satisfaction Survey	FY21	80%

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
32	Client feedback in IDA countries on WBG effectiveness and impact on results	Average rating scale: 1-10	WBG COS Program	FY21	7
33	Client feedback in IDA countries on WBG knowledge	Average rating scale: 1-10	WBG COS Program	FY21	7
	Tier 3: IDA Organizational and Operational Effectiveness				
	FINANCING OUTCOMES				
1	IDA Budget Anchor	%	World Bank SAP /IDA Financial Statements	FY21	<=100
2	Bank budget to Portfolio Volume Ratio (per $ billion under supervision)	$ million	World Bank SAP and Business Warehouse	FY21	Monitored
3	Average cost of IDA supervision projects (implementation support)	$ thousand	Business Warehouse	FY21	Monitored
4	Share of climate co-benefits over total commitments in IDA-supported operations	%	World Bank SAP, PADs and/or supporting documents	FY21	35% over FY21-FY25
5	Share of adaptation co-benefits over total climate co-benefits in IDA-supported operations	%	World Bank SAP, PADs and/or supporting documents	FY21	>=50%
6	Total private mobilization of WBG-supported operations/transactions in IDA countries. - Direct mobilization - Indirect mobilization	$ billion	World Bank SAP	FY21	Monitored
7	Number of IDA countries with the lowest Human Capital Index supported to improve the sustainability of human capital financing	Number	Staff calculations based on World Bank systems	FY21	15
8	IDA financing commitments with disaster risk management co-benefits	($ billion)	WBG CPF reviews	FY21	2
	MONITORING OUTCOMES				
9	Satisfactory Bank performance in IDA-financed operations	%, IEG Ratings	IEG		
	-Overall	%, IEG Ratings	IEG	FY17-FY19 (3-year rolling)	80%

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
	-At entry	%, IEG Ratings	IEG	FY17-FY19 (3-year rolling)	Monitored
	-During supervision	%, IEG Ratings	IEG	FY17-FY19 (3-year rolling)	Monitored
10	Quality of M&E in IDA-financed operations	% IDA commitments, IEG ratings, 3-year rolling	IEG	FY17-FY19 (3-year rolling)	60%
11	Number of IDA projects with a AA Resilience Rating	Number		Not applicable	10
12	Percentage of IDA operations with substantial climate co-benefits including at least one climate change indicator in the results framework	Number	World Bank PADs	Not applicable	95%
13	Percentage of IDA-supported projects that demonstrate a results chain by linking gender gaps identified in analysis to specific actions that are tracked in the results framework	%	World Bank SAP, PADs and/or supporting documents.	FY21	60%
	IMPLEMENTING FOR OUTCOMES				
14	Disbursement ratio	%	World Bank SAP	FY21	20%
15	Proactivity Index	%	World Bank SAP	FY21	80%
16	Number of IDA-supported operations that address and respond to gender-based violence (GBV)	Number	World Bank SAP, PADs and/or supporting documents.	FY21	Monitored
17	Number of CPFs informed by diagnostics on crisis preparedness	Number	Staff calculations based on World Bank systems	Not applicable	Monitored
18	Facetime index in FCS	Index	Staff calculations based on World Bank systems	FY21	Monitored
19	Share of IDA IPF operations that applied the concept of universal access at design.	% of approved IDA IPF in FY	Staff calculations based on World Bank systems	FY21	Monitored
20	Number of countries supported by IDA to take IFF-related actions	Number	Staff calculations based on World Bank systems	FY21	Monitored
21	Client feedback on WBG on responsiveness and staff accessibility	Average rating scale: 1-10	WBG COS Program.	FY21	7

	Indicator	Unit of Measure	Data Source	Date of Latest Results	Expected Range/Value for IDA20 (FY23-FY25)
22	Client feedback on WBG on collaboration with other donors	Average rating scale: 1-10	WBG COS Program.	FY21	8
23	Projects with beneficiary feedback at design	%	World Bank PADs	FY21	100%

ANNEX 2. IDA20 POLICY COMMITMENTS

Crisis Preparedness | Governance and Institutions | Debt | Technology

HUMAN CAPITAL		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Boosting COVID-19 vaccination rollout and strengthening pandemic preparedness	1. Support all IDA countries to strengthen health security and advance inclusive health systems and universal health coverage, including (i) containing the COVID-19 pandemic, through vaccine rollout, testing, treatment and care, and/or (ii) strengthening pandemic preparedness including prevention, detection and response.
	Investing in children's early years	2. To promote child development, restore and expand access to quality early years services, including maternal and nutrition services, in at least 30 IDA countries, of which 15 countries are among those IDA countries with the lowest HCI.[a] [a] *The lowest HCI countries refer to the 30 IDA countries with the lowest Human Capital Index (HCI)*
	Supporting core social service delivery systems	3. To address gaps exacerbated by the COVID-19 crisis, in at least 40 IDA countries, of which 10 are FCS, support access to core, quality, inclusive social services focused on: (i) social protection for urban informal workers, and/or (ii) students' return to school and accelerated recovery of learning losses, with a special focus on addressing constraints faced by girls, and/or (iii) children's immunizations.
	Expanding adaptive social protection and building resilience to shocks	4. To ensure inclusive and effective response against shocks and crises, support at least 20 IDA countries' resilience by building adaptive social protection systems, including the use of digital technologies.
	Addressing learning poverty	5. To fill critical learning gaps and ensure improvements in learning outcomes, support at least 20 IDA countries, of which 10 are among those IDA countries with the lowest HCI, to reduce learning poverty by (i) measuring learning, with sex disaggregation and (ii) implementing core elements of the literacy policy package (e.g. effective literacy instruction, structured lesson plans, adequate reading materials for all children).
	Expanding access to core services for persons with disabilities	6. To promote inclusive societies, support at least 18 IDA countries to meet the needs of persons with disabilities by implementing the principles of non-discrimination, inclusion, and universal access as per the Environmental and Social Framework, through projects in education, health, social protection, water, urban, digital development and/or transport.
	Supporting prevention of and preparedness for future pandemics	7. To strengthen health security by improving pandemic preparedness and prevention at the nexus of human, animal, and ecosystem health, including zoonotic diseases and anti-microbial resistance, support at least 20 IDA countries to mainstream One Health.
	Leveraging adequate, efficient financing for human capital	8. To strengthen public finance for human capital investments, support IDA operations in at least 20 IDA countries, of which 8 are among those IDA countries with the lowest HCI through policy or administrative reforms impacting (i) the availability of resources, and/or (ii) the efficiency of expenditure management and/or (iii) the results-orientation of human capital investments.

CLIMATE CHANGE		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Increase Climate Co-benefits	1. IDA's Climate Co-Benefits share of total commitments will increase to 35 percent, on average over FY23-FY25, with at least 50 percent for adaptation. For IDA PSW operations, Climate Co-Benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations, on average.
	Aligning all IDA operations with the Paris Agreement	2. Starting in FY24, all new World Bank IDA20 operations will align with the Paris Agreement. By the end of IDA20, all new IDA PSW real sector operations will be Paris aligned. Support will be provided to at least 30 countries to develop Country Climate and Development Reports and at least 50 countries to develop, update and/or implement Nationally Determined Contributions or Long-Term Strategies.
	Transitioning key systems for adaptation and mitigation	3. Support at least 50 countries (including at least 20 FCS) to develop inclusive climate policies and increase investment in climate adaptation and mitigation in at least one key transition system (i.e., agriculture, food, water and land; cities; transportation; and/or manufacturing), including community-led climate investments in at least 15 countries.
	Sustainable Energy for All	4. Facilitate development of low-carbon energy sector development strategies and policies in at least 20 countries (including at least 8 FCS) and development of battery storage in at least 15 countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least 1 GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.
	Scaling-up green financing	5. Support at least 20 countries (including at least 5 FCS) to revise their financial regulatory frameworks to manage climate and environmental risks and to mobilize private capital for a low-carbon and resilient economy.
	Enhancing biodiversity and ecosystem services	6. Implement nature-based solutions, including landscape, seascape, and watershed restoration and management or forest restoration and sustainable forest management, in at least 20 countries to support biodiversity and ecosystem services.
	Strengthening management of fresh water, coastal and marine ecosystems	7. Support at least 25 countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including by addressing marine plastic pollution.
☂	Increasing crisis preparedness and response	8. Support at least 25 countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening related institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.

FRAGILITY, CONFLICT AND VIOLENCE		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Operationalizing the FCV Strategy through better tailored country engagement	1. Reinforce implementation of the WBG FCV Strategy, by ensuring that all country engagement products[a] in IDA FCS demonstrate how the WBG program, in collaboration with relevant partners, help address FCV drivers and sources of resilience, based on FCV diagnostics and FCV sensitive portfolio analysis undertaken in Risk and Resilience Assessments (RRAs) or other FCV assessments. An FCV lens will continue to be integrated into relevant joint World Bank-IFC Country Private Sector Diagnostics in IDA FCS. [a] *Country engagement products include Country Partnership Frameworks (CPFs), Country Engagement Notes (CENs) and Performance and Learning Reviews (PLRs).*
	Leveraging outcomes for both refugee and host communities	2. Work with government counterparts and other partners to ensure that, by the end of IDA 20, at least 60 percent of the countries eligible for the WHR will have implemented significant policy reforms related to the WHR purposes, as identified through the Refugee Policy Review Framework.
	Strengthening core governance institutions	3. Support 40 percent of IDA countries in Fragile and Conflict-affected Situations (with active portfolios) to establish and/or strengthen core government functions that facilitate effective, inclusive, and responsive public services, enhance transparency and accountability, and promote resilience and trust, including by partnering with key national and international stakeholders.
	Addressing transboundary drivers of FCV and recovering from crisis	4. Implement regional initiatives in the Sahel, Lake Chad, the Horn of Africa, and Central Asia to help address transboundary drivers of FCV, support transboundary resilience, and / or strengthen regional crisis risk preparedness and mitigation together with key relevant partners. IFC will commit to leverage its local presence to scale up upstream and advisory service activities in these areas, leading to enhanced private sector opportunities.

GENDER AND DEVELOPMENT		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Investing in women's empowerment	1. Support women's empowerment, through restoring and expanding access to quality and affordable sexual and reproductive, adolescent, and maternal health services, in at least 30 IDA countries, of which 15 countries with the lowest HCI.
	Scaling up productive economic inclusion	2. Incorporate specific productive economic inclusion components (e.g., producer cooperatives/associations, digital finance/savings and service delivery, entrepreneurship support, social care services, regulatory frameworks, and/or links to market support) for women in at least 35 IDA social protection/jobs, agriculture, urban, and/or community development projects.
	Expanding childcare	3. Support at least 15 IDA countries to expand access to quality, affordable childcare, especially for low-income parents.
	Supporting medium and high skilled employment opportunities for women	4. At least 35 percent of IDA20 infrastructure operations (transport, energy, and water) will include actions to create employment opportunities for women in medium and high skilled jobs in these sectors.
	Closing the gap in digital technology	5. At least 30 IDA20 operations in digital development, financial inclusion, and agriculture will increase women's access to and usage of digital technology to close gender gaps in access and usage.
	Strengthening women's land rights	6. At least 70 percent of IDA20 operations with land activities in (i) land administration, (ii) post-disaster reconstruction and resilient recovery, and (iii) urban development will include specific actions to strengthen women's land rights.
	Increasing support to prevention of and response to Gender-based Violence (GBV)	7. Support at least 10 IDA countries to strengthen national policy frameworks for prevention and response to GBV, and in at least 15 IDA countries, of which 5 are FCS, support GBV related services in health systems, and implement GBV prevention and response protocols as part of safe and inclusive educational institutions.
	Implementing fiscal policy and budget systems to close gender gaps	8. Support at least 10 IDA countries to make their fiscal policy and budget systems more inclusive and gender responsive by, for example, budget reforms, removing discriminatory provisions from tax legislation and/or monitoring the effectiveness of public spending, including where appropriate through fiscal incidence analysis for equality policies.

JOBS AND ECONOMIC TRANSFORMATION		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Supporting resilient financial systems for recovery	1. Strengthen the resilience, inclusion and depth of the financial system in 15 IDA countries, including 5 FCS, based on FSAP or similar financial sector analytics to support a robust and inclusive recovery.

JOBS AND ECONOMIC TRANSFORMATION		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Leveraging One WBG to increase private investments	2. In the context of IDA PSW operations involving IFC, IFC will aim to increase the share of its commitments in FCS-IDA17 & LIC-IDA17 countries, reaching 12-17 percent of Own-Account commitments on average during the IDA20 cycle, with an intent to reach an Own-Account annual commitment of 14-17 percent in the last fiscal year of IDA20. Consistent with this aim, targeted platforms and programmatic approaches for IDA PSW-eligible countries will be supported to develop and encourage scalable initiatives across sectors in these countries, including those targeted to support small and medium-sized enterprises, for trade finance purposes, in support of gender, and for climate friendly investments focused on mitigation and adaptation.
	Delivering quality infrastructure investments in countries with governance challenges	3. Support at least 20 countries, of which 10 have a score of 3.0 or less on Country Policy and Institutional Assessment Dimension 16 covering transparency, accountability and corruption, to identify the governance constraints to the development, financing, and delivery of quality infrastructure investments, with particular attention to resilience, climate and environment, social considerations, and regulatory practices, transparency and integrity, to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these. These will be undertaken through Infrastructure Sector Assessments Programs and standalone governance assessments that support improved delivery of quality infrastructure services.
	Creating better jobs and sustainable, inclusive economic transformation in high potential sectors	4. Support interventions to address market failures and remove constraints in sectors with high potential for the private sector to drive sustainable and inclusive economic transformation and create better jobs, or where women and youth disproportionately work, in 20 IDA countries, of which 5 are FCS, including through upstream activities and informed by data and private sector development diagnostics such as the joint IFC-WB Country Private Sector Diagnostics, and selected in agreement with country authorities.
	Boosting agriculture productivity, value chains and food security	5. Improve agricultural productivity, including through the promotion of climate-smart agriculture, and strengthen sustainable agri-business value chains with high potential for growth and better jobs addressing modernization and food and nutrition security in 15 IDA countries, including 5 FCS, in ways that are inclusive, expanding training for agricultural workers to access these better jobs, and encouraging private sector opportunities.
	Expanding broadband access and usage for jobs of the future	6. To close the connectivity gap, IDA will support 17 IDA countries, including those which will benefit from IFC's support under the IDA PSW to develop digital infrastructure, to increase inclusive, secure and affordable access to and usage of broadband connectivity, among which are 6 landlocked countries, 4 Small States and 9 FCS.
	Positioning more firms for recovery, including through the adoption of digital technology	7. Support programs in 15 IDA countries, to strengthen private sector recovery and transformation that are well targeted, inclusive of SMEs and support the adoption of digital technologies, with monitoring to capture distributional impacts and effectiveness. To support this, IFC will increase its support to digital infrastructure, with consideration of cyber security and related issues, and its venture capital work in IDA and FCS countries.
	Boosting institutional capacity to improve data for policy decision-making	8. Support 34 IDA countries including those with ongoing statistical operations (i) to strengthen institutions and build capacity to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate; and (ii) to increase resilience of statistical systems, including through investments in digital technology and high-frequency monitoring capabilities.

CRISIS PREPAREDNESS		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Strengthening crisis preparedness	1. WBG country programs in all IDA countries will provide technical and financial support to strengthen crisis preparedness. Such support will be informed by appropriate crisis preparedness assessments such as the Crisis Preparedness Gap Analysis (CPGA), and/or other relevant diagnostic tools.

GOVERNANCE AND INSTITUTIONS		
Cross-Cutting Issue	**Objective**	**Policy Commitment**
	Increasing debt transparency	1. Support 50 IDA countries in publishing comprehensive public and publicly guaranteed debt reports or fiscal risk statements.
	Improving domestic resource mobilization	2. Support 15 IDA countries to bolster their domestic resource mobilization capacity through equitable (fair and progressive) revenue policies (as verified using fiscal incidence analysis or other methods) towards achieving a tax-GDP ratio of at least 15 percent in the medium term.[a] [a] *Revenue policies include tax administrative policies, including those that seek to improve and introduce new tax compliance measures. The concept of equitable DRM has two dimensions: (1) fairness (taxpayer with similar income or property should be treated similarly); and (2) progressivity (contribution according to taxpayers' ability to pay).*
	Enabling digital government services	3. Support at least 15 IDA countries to adopt universally accessible GovTech policies, regulations or solutions to enable secure digital government services.
	Combatting illicit financial flows	4. Support at least five countries to conduct comprehensive Illicit Financial Flows (IFF) assessments and prepare action plans. Also support at least 20 IDA countries to take policy actions that tackle corruption, money laundering, and/or tax evasion to reduce IFF, such as strengthening public accountability mechanisms, increasing access to and awareness of beneficial ownership information, and/or adopting automatic exchange of information to reduce tax evasion.

ANNEX 3. PERFORMANCE-BASED ALLOCATION SYSTEM

A. CALCULATION OF COUNTRY ALLOCATIONS

1. **Country allocations from the International Development Association (IDA) provide unearmarked resources to IDA countries, aligned with Country Partnership Frameworks (CPFs).** Country allocations are fundamental to IDA's value proposition and its country-driven model. They are calculated following the Performance Based Allocations (PBA) system, which strategically allocates resources based on countries' performance in implementing policies that promote economic growth and poverty reduction (assessed through the Country Performance Rating (CPR)) and their financing needs (assessed by their population and Gross National Income (GNI) per capita). The PBA system constitutes the centerpiece of IDA's mechanism to allocate country resources and—since IDA19—is complemented by a new envelope providing targeted resource boosts to eligible countries facing risks of fragility, conflict, and violence (FCV). Country allocations are subject to set-asides under the Sustainable Development Finance Policy (SDFP).

2. **CPR of IDA countries are determined annually based on the Country Policy and Institutional Assessment (CPIA) and the Portfolio Performance Ratings (PPR).** The CPIA assesses each country's policy and institutional framework through 16 specific criteria grouped into four clusters: (a) economic management; (b) structural policies; c) policies for social inclusion and equity; and (d) public sector management and institutions. (see Box A3.1).[1] To ensure that ratings are consistent within and across regions, country teams are provided with the same questions, definitions and clear guidance for each criterion. This is followed by a process of institutional review of all country ratings to ensure harmonization before finalization.

Box A3. 1. CPIA Criteria

A. **Economic Management**
1. Monetary and Exchange Rate Policies
2. Fiscal Policy
3. Debt Policy and Management

B. **Structural Policies**
4. Trade
5. Financial Sector
6. Business Regulatory Environment

C. **Policies for Social Inclusion**
7. Gender Equality
8. Equity of Public Resource Use
9. Building Human Resources
10. Social Protection and Labor
11. Policies and Institutions for Environmental Sustainability

D. **Public Sector Management and Institutions**
12. Property Rights and Rule-based Governance
13. Quality of Budgetary and Financial Management
14. Efficiency of Revenue Mobilization
15. Quality of Public Administration
16. Transparency, Accountability and Corruption in the Public Sector

[1] For details on the CPIA Questionnaire, see: *http://pubdocs.worldbank.org/en/203511467141304327/CPIA-Criteria-2017v2.pdf*

3. **The CPIA underpins IDA's CPR but is not its only determinant.** The IDA PPR,[2] which captures the quality of management of IDA's projects and programs, also enters in the calculation of the CPR. As in IDA19, the following formula will be used to calculate the CPR in IDA20:

$$\textbf{Country Performance Rating} = (0.24 \times CPIA_{A\text{-}C} + 0.68 \times CPIA_{D} + 0.08 \times PPR)$$

Where: $CPIA_{A\text{-}C}$ is the average of the ratings of CPIA clusters A to C; and $CPIA_{D}$ is the rating of CPIA cluster D.

4. **The formula underpinning the PBA system is presented below.** The CPR (with an exponent of 3)[3] is the main determinant of IDA country allocations. Country needs are also taken into account through the population size and GNI per capita. Population affects allocations positively (with an exponent of 1) while the level of GNI per capita is negatively related to allocations (with an exponent of -0.125). Specifically:

$$\textbf{IDA Country Allocation} = f\,(CPR^{3}, \text{Population}, \text{GNI Per Capita}^{-0.125})$$

5. **In IDA20, the minimum IDA allocation, or base allocation, will remain at SDR 15 million per fiscal year (equivalent to $20.7 million), i.e., SDR 45 million per replenishment (equivalent to $62.2 million).** The base allocation was increased substantially in IDA18 to meet the fixed costs of country engagement and maintain an effective country program in Small States, several of which are also Fragile and Conflict-affected Situations (FCS).

6. Country allocations are determined annually with changes reflecting, *inter alia*, the country's own performance and its performance relative to other countries, eligibility for IDA financing, and availability of IDA resources.

B. FCV ENVELOPE

7. **Country allocations calculated through the PBA formula will continue to be complemented by dedicated allocations from the FCV Envelope for eligible IDA countries experiencing FCV challenges.** The FCV Envelope provides tailored support to countries through three specific types of allocations based on relevant FCV drivers. Details on the FCV Envelope are provided in Annex 4. Fragility, Conflict and Violence Envelope Implementation Arrangements.

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[2] The PPR reflects the health of the IDA portfolio, as measured by the percentage of problem projects in each country.

[3] The CPR exponent was reduced from 4 to 3 since IDA18 to increase the poverty-orientation of the regular PBA system. This has allowed an increased IDA engagement in the poorest countries, notably the broader group of FCS, most of which have low per-capita GNI levels, while preserving the principle of performance orientation in the allocation system.

C. SUSTAINABLE DEVELOPMENT FINANCE POLICY

8. **Country allocations are subject to allocation set-asides under the SDFP, which seeks to incentivize IDA countries towards more sustainable borrowing practices.** Under the SDFP, IDA countries facing elevated debt vulnerabilities need to establish Performance and Policy Actions (PPAs) for each FY. Countries that fail to implement their PPAs successfully may be subject to a set-aside on their country allocations. This set-aside can nonetheless be recovered if the PPAs are satisfactorily completed in the following year; alternatively, if the PPAs are not satisfactorily completed the following year, the set-aside is irrevocably lost. Details on the SDFP and set-aside mechanism are provided in Annex 10. Sustainable Development Finance Policy.

D. SHORTER MATURITY LOANS

9. **New IDA financing terms are temporarily introduced in IDA20 as Balance Sheet Optimization (BSO) measures**. New terms include concessional shorter maturity loans (SMLs) to be offered proportionally through two elements of the IDA financial architecture: (a) the Scale-Up Window (SUW), and (b) Country allocations based on the PBA system. As such, individual country allocations are first determined based on the PBA, as well as FCV top-up, if applicable; subsequently, the grant-credit mix is determined according to the Grant Allocation Framework (GAF) as well as SMLs eligibility. In this, IDA-only yellow-light, IDA-only green-light, as well as IDA Gap and Blend countries (except Small States that are red-light) will receive a small portion of their country allocations as SMLs, while IDA-only red-light countries will receive the comparable share in grants, instead of SMLs. Also, before yellow IDA-only countries are provided with access to SMLs, the impact of the SMLs on their debt sustainability would be checked through Debt Sustainability Analyses.

E. ADDITIONAL CONSIDERATIONS

10. The following exceptions to the PBA formula will remain in place in IDA20:

a. As endorsed by IDA Participants during the IDA18 MTR, a 7 percent cap on the total country-allocable envelope will be applied to countries with significant access to International Bank for Reconstruction and Development (IBRD) and IDA in cumulative terms. In IDA20, this will apply to Pakistan, which falls in this category.

b. Eligible countries can qualify for exceptional allocations to help finance the cost associated with the clearance of arrears to IBRD and/or IDA.[4]

11. **While country allocations based on the PBA system constitute the centerpiece of IDA's resource allocation system, they will continue to be complemented by dedicated funding under the IDA20 thematic windows:**

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[4] IDA. 2017. *Further Elaboration of a Systematic Approach to Arrears Clearance*. Available at *http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1172526109259/ArrearsClearanceMZ.pdf*.

a. IDA will continue to support development opportunities for refugee and host communities through the Window for Host Communities and Refugees (WHR). (See Annex 5. Windows for Host Communities and Refugees Implementation Arrangements.)

b. IDA will continue to support regional integration through the Regional Window. (See Annex 6. Regional Window Implementation Arrangements.)

c. IDA will continue to provide additional allocations for crisis response through the Crisis Response Window (CRW). (See Annex 7. Crisis Response Window Implementation Arrangements.)

d. The IDA Private Sector Window (PSW) will continue to support the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) to mobilize private sector investments into IDA FCS and IDA-only countries. (See Annex 8. Private Sector Window Implementation Arrangements.)

e. IDA will continue to offer non-concessional financing under strict circumstances through the SUW. (See Annex 9. Scale Up Window Implementation Arrangements.)

F. DISCLOSURE

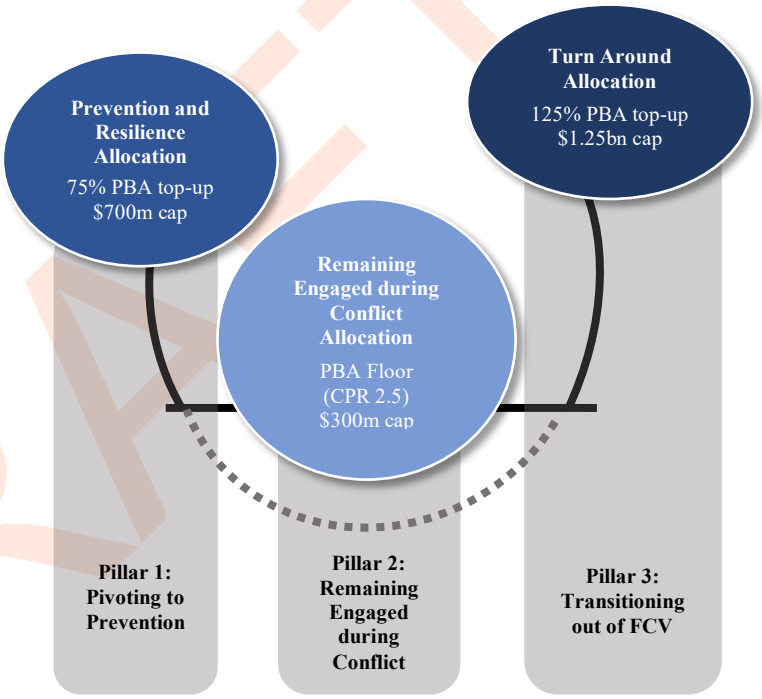
12. **IDA countries are informed of the performance assessment process, which is increasingly integrated into the country dialogue.** Since IDA14, the numerical ratings for each of the CPIA and CPR criteria have been fully disclosed on IDA's external website. Starting in IDA15, the country allocations and commitments have also been disclosed annually to the Executive Directors of IDA on an *ex-post* basis (i.e., at the end of each fiscal year) to increase transparency. Starting in IDA16, the country allocations and commitments have been disclosed on IDA's external website as well.

ANNEX 4. FRAGILITY, CONFLICT AND VIOLENCE ENVELOPE IMPLEMENTATION ARRANGEMENTS

1. **The FCV Envelope, established and operationalized in IDA19, will continue to provide tailored support to eligible countries in IDA20.** The FCV Envelope enables IDA to seize opportunities and respond with greater agility to the dynamic needs of IDA Fragile and Conflict-affected Situations (FCS) clients. It also enables 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 discussion by the IDA Board of Executive Directors of all eligibility notes.

2. **Countries eligible in IDA19 will not be required to re-do the eligibility process in IDA20, rather decisions regarding their continued eligibility would be confirmed through an annual review process which examines country performance.** The Envelope's design has worked well so far, and it will continue to operate within the PBA system. The top-ups and top-up caps will remain the same as in IDA19. On financing terms, the FCV Envelope is integrated into country allocations and serves to boost volume only, so top-up resources will have the same composition and share of terms as country allocations and set asides under the SDFP apply to these allocations. RECA countries are excluded from the requirement to establish PPAs.

Figure A4. 1. IDA20 FCV Envelope by Allocation



3. **There are three types of FCV-related country allocations.** The three allocations, described below, comprise the FCV Envelope and share several common features (see Box A4.1).

a. The ***Prevention and Resilience Allocation (PRA***) provides enhanced support for countries at risk of escalating into high-intensity conflict or large-scale violence.

b. The ***Remaining Engaged during Conflict Allocation (RECA)*** enables 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)*** supports 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.

Box A4. 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 during the IDA cycle. Countries may apply in FY22 (ending in June 2022) so that allocations are available at the beginning of IDA20 (starting in July 2022). A country may move between different types of allocations within the Envelope throughout 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. Countries eligible in IDA19 will not be required to go through the eligibility process again in IDA20. The task team submits the draft eligibility note to the respective focal points in DFCII, OPCS, and FCV Group, the FCV lawyer, and the Country Lawyer for advice. Decisions to access the FCV Envelope will be made by Development Finance (DFi) with concurrence of Operations Policy and Country Services (OPCS) in the same way as in IDA19. Teams will consult with relevant stakeholders in country, including with the UN, when developing the eligibility notes. To the extent 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, country teams will prepare a stand-alone 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 IDA20 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 also continue to access IDA20 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.

A. PREVENTION AND RESILIENCE ALLOCATION (PRA)

4. **Purpose.** As a key financial tool in the pivot to prevention, the PRA supports governments to take proactive measures against escalating conflict and violence. It provides 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 enables more agile responses to changing fragility and conflict dynamics, while also ensuring country ownership.

5. **Eligibility.** PRA eligibility is 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;[1] and (ii) a Government 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 implementing 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.

6. **Allocation.** The PRA will top up a country's PBA by 75 percent, up to a national top-up cap of $700 million per country for IDA20.[2]

7. **Financing Terms.** Financing will be provided on the same terms as the country's PBA. While this is a significant top-up, World Bank assesses demand and absorptive capacity to be adequate to scale up meaningful programming in these countries. This also aligns with prioritization of prevention given its net benefits, as outlined in *Pathways for Peace*.[3]

8. **Activities.** Countries receiving a PRA need to 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 facilitates 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 IDA20 cycle by demonstrating the risks, the Government's plan to address the risks and

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[1] 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.

[2] Downwards adjustments to this allocation may be warranted in certain circumstances, such as weak absorptive capacity or debt considerations.

[3] United Nations and World Bank. 2018. *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*. Washington, DC: World Bank Group.

accompanying milestones, and the WB's supportive program.[4] Continued access to the PRA will be subject to annual reviews.[5]

B. REMAINING ENGAGED DURING CONFLICT ALLOCATION (RECA)

9. **Purpose.** The RECA provides 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 the IDA18-19 engagement in the Republic of Yemen and South Sudan, 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.

10. **Eligibility.** Eligibility for the RECA will be based on three criteria: (a) a quantified indicator that identifies countries in high-intensity conflict;[6] (b) a Country Policy and Institutional Assessment (CPIA) of 2.5 or below; and (c) a proposed program that is consistent with the RECA. The RECA designation enables more agile responses to changing conflict dynamics. Countries may apply for the allocation at any time during the IDA20 cycle by demonstrating the WB's proposed approach, including the program, policy dialogue, partnerships and coordination, portfolio pipeline and risk management including the potential impact of IDA's program on conflict dynamics.[7] Continued access to the RECA is subject to annual reviews.[8]

11. **Allocation.** The RECA tops up a country's PBA on the same terms as its PBA. If the country's CPR is 2.5 or below,[9] their PBA will be calculated on the assumption that their CPR is 2.5, up to a national top-up cap of $300 million.[10] RECA countries may also access IDA windows, including the Crisis Response Window (CRW).

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[4] 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 to progress on preventing the escalation of conflict 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. The Eligibility Note will be submitted to the Board for discussion.

[5] A PRA annual review will update: (i) on risks and the Government's approach to mitigating these risks; (ii) the Government's performance against the agreed milestones; (iii) how PRA resources have been used and progress made in recalibrating the country portfolio; and (iv) updates to the WB program and/or the Government's 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.

[6] The criterion will be measured as 10 or more conflict-related deaths per 100,000 people using ACLED and/or UCDP data.

[7] A RECA eligibility note would address (i) situation country is facing; (ii) description on need for preservations of institutions and human capital; (iii) WB proposed program including policy dialogue, partnerships, pipeline and risk management; and (iv) partnership and third-party direct financing.

[8] 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.

[9] Downwards adjustments to this allocation may be warranted in certain circumstances, such as weak absorptive capacity or debt considerations.

[10] 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.

12. **Activities.** The RECA is used to finance a specific set of development activities focused on WB comparative advantage as a development actor in the country context. The allocation enables 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 seeks to ensure value for money in achieving development outcomes, while recognizing that working in these contexts entails higher costs.

13. **UN Agencies and International Non-Governmental Organizations (INGOs).** In the following limited circumstances,[11] IDA funding in RECA countries[12] may be provided directly to UN agencies and INGOs:[13]

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.

C. TURN AROUND ALLOCATION (TAA)

14. **Purpose.** The TAA provides 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.

15. **Eligibility.** Eligibility for the TAA is based on three criteria: (a) a CPIA of 3.0 or below, or a period of disengagement;[14] (b) a Government strategy or plan acceptable to IDA that describes

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[11] This is in addition to the circumstances where the WB operational policies already allow for such direct financing to UN agencies and/or INGOs. These criterion must be met for each RECA-financed operation.

[12] This will apply to RECA countries accessing CRW or other IDA funding.

[13] In such cases, no commitment charge would apply.

[14] Currently, three IDA countries are disengaged from IDA, namely Eritrea, Syria, and Zimbabwe. These countries may choose to re-engage during IDA20 after clearing arrears to IDA and/or IBRD. In the case of Syria, as stated in the IDA18 and 19 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

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 (c) a CEN/CPF that makes a compelling case for WB support to the Government's reform agenda.

16. **Allocations.** The TAA tops up a country's PBA on the same terms as its PBA. The top-up is 125 percent of the country's PBA up to a national cap of $1.25 billion per country during IDA20.[15] 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.

17. **Activities.** Countries receiving the TAA develop/recalibrate their IDA portfolio to focus on the Government's reform agenda. The TAA helps 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.[16] Continued access will be subject to annual reviews.[17]

presence or the use of third-party monitoring agents). If Syria were eligible for the TAA, it could receive up to $[amount]subject to performance.

[15] 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 Post-Conflict Performance Indicator.

[16] The TAA Eligibility Note will address: (i) analysis of change/reengagement/FCV drivers and sources of resilience; (ii) the significant window of opportunity, and the government's strategy to seize this opportunity; (iii) milestones that the government commits to meet with support from the TAA, similar to CPF indicators; (iv) a summary of other partners' activities; and (v) the WB's proposed approach, including partnerships, adjustments to the program, including policy dialogue, portfolio, and pipeline. The Eligibility Note will be submitted to the Board for discussion.

[17] A TAA annual review will address: (i) how the TAA has been used and progress made in recalibrating the country portfolio; (ii) updates on risks and the implementation of the Government's reform agenda; (iii) the Government's performance against the agreed milestones; and (iv) adjustments 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.

ANNEX 5. WINDOWS FOR HOST COMMUNITIES AND REFUGEES IMPLEMENTATION ARRANGEMENTS

1. **Purpose:** The Window for Host Communities and Refugees (WHR) supports operations that promote medium to long-term development opportunities for refugee and host communities in IDA countries. The purpose of the WHR is to support refugee hosting countries to: (a) mitigate the shocks caused by refugee inflows and create social and economic development opportunities for refugee and host communities; (b) facilitate sustainable solutions to protracted refugee situations including through the sustainable socio-economic inclusion of refugees in the host country and/or their return to the country of origin; and (c) strengthen country preparedness for increased or potential new refugee flows.

2. **Activities:** In IDA20, the WHR will continue to support host governments to address development needs of both refugees and host communities, focusing on the medium to long-term development needs, not humanitarian needs, which are the mandate of other organizations. Priority initiatives may include operations that: (a) promote refugees' welfare and inclusion in the host country's socio-economic structures, including COVID-19 response and green, inclusive and resilient recovery efforts; (b) support legal solutions and/or policy reforms with regard to refugees, e.g., freedom of movement, formal labor force participation, identification documents and residency permits; (c) help support access and quality of services, including COVID-19 vaccines, education, off-grid energy solutions, digital connectivity and basic infrastructure to refugees and host communities; (d) support livelihoods and employment opportunities in host community areas, tailored to the needs and constraints of refugees and host community members; (e) support policy dialogue and activities to facilitate and ensure the sustainability of return where refugees go back to their country of origin; and (f) strengthen government finances where these have been strained by expenditures related to their hosting responsibilities. Addressing gender gaps will continue to be a focus: since the beginning of IDA18, around two-thirds of operations have been gender tagged, and this is expected to increase further in IDA20.

3. **Eligibility Criteria:** WHR policies have been working well and will be retained in IDA20. The eligibility criteria will continue to be the same. While the number of refugees living in IDA countries has increased from 8.9 million in 2017 to 9.5 million in 2020, refugees continue to concentrate in the same IDA countries, so the number of WHR-eligible countries is expected to remain roughly constant (with some new entrants) while their needs are likely to rise. The window will continue to finance all instruments, and the required 10 percent PBA contribution will be retained. Specifically, the eligibility criteria for the WHR will remain the same as in IDA19, namely: (a) the number of UNHCR-registered refugees is at least 25,000 or 0.1 percent of the population; (b) the country adheres to an adequate framework for the protection of refugees; and (c) the Government has in place a strategy or plan acceptable to IDA that describes the concrete steps, including possible policy reforms, toward long-term solutions that benefit host communities and refugees. Based on these criteria, 14 countries are already eligible for financing in IDA18-19. Countries that are already eligible in earlier IDA cycles will not have to re-do the eligibility process. Rather, the first WHR project that is processed in IDA20 for each country will be accompanied by a short WHR strategy note. For countries that become eligible for the WHR during IDA20, the eligibility process will be the same as it was in IDA19. In addition, every Project Appraisal Document (PAD) that uses WHR financing in IDA20 will include: (a) updated UNHCR

numbers; (b) an update of the country's refugee policy and institutional environment; and (c) confirmation of the continuing adequacy of the protection framework, noting any recent changes or new risks.

4. **Financing:**

a. ***Volume***: The size of the window will be [$X billion (equivalent to SDRX billion)].

b. ***Apportionment****:* The WHR will finance up to 90 percent of the total project amount, complemented by at least 10 percent from the country allocation.

c. ***Notional regional allocations****:* At the beginning of the IDA20 replenishment cycle, indicative regional allocations will be determined based on the number of refugees in IDA countries eligible for support under the WHR. These notional regional allocations may be adjusted based on changes in refugee numbers and client demand during the IDA cycle. Each WHR-eligible country will have a minimum allocation of $10 million to enable programming at a certain scale. Allocations per country during an IDA cycle will be capped at US$500 million.

d. ***Terms***. All WHR-eligible countries (including Gap and Blend Countries) are eligible to receive grants from the WHR as follows:

i. Countries that are subject to a Low-income Country Debt Sustainability Framework (LIC-DSF) and at high risk of debt distress receive 100 percent of the WHR financing as IDA Grants.

ii. IDA-Only countries that are subject to a LIC-DSF and at moderate risk of debt distress receive 50 percent of the WHR financing as IDA Grants and 50 percent as 50-year Credits.

iii. Blend and Gap Countries that are subject to a LIC-DSF and at moderate risk of debt distress receive 50 percent of the WHR financing as IDA Grants and 50 percent as IDA Concessional Credits.

iv. Countries that are subject to a LIC-DSF and low risk of debt distress receive 50 percent of the WHR financing as IDA Grants and 50 percent as IDA Concessional Credits.

v. Countries that are subject to a Market Access Country Debt Sustainability Analysis (MAC-DSA) receive 50 percent of the WHR financing as IDA Grants and 50 percent as IDA Concessional Credits.

e. ***Sudden massive inflow of refugees:*** The WHR will provide 100 percent grants to countries that experience a sudden massive inflow of refugees, defined as receiving at least 250,000 new refugees or at least one percent of its population within a 12-month period during the IDA20 cycle.

ANNEX 6. REGIONAL WINDOW IMPLEMENTATION ARRANGEMENTS

1. **Purpose.** The IDA Regional Window aims to promote development through regional approaches by providing top-up funding for eligible operations. Regional projects support countries to come together to address challenges of small and fragmented markets, find regional solutions for challenges facing multiple countries, and promote global public goods or address public "bads". They help, among other things, to create larger and more integrated markets, improve connectivity, manage shared resources, exploit economies of scale, and facilitate collective action to address common goals. In IDA20, this may include mobilizing financial resources for COVID-19 vaccine purchases and rollout of vaccination programs.

2. **Lending Instruments**. Financing from the IDA Regional Window is provided using Investment Project Financing (IPF)[1] and Development Policy Financing (DPF).

3. **Eligibility Criteria:** IDA Regional Window operations, should meet all of the following four criteria (for exceptions, see paragraph 7):

a. The operation involves two or more countries, both of which need to participate for the project's objectives to be achievable, and at least one of which is an IDA-eligible country.[2]

b. The operation will generate positive economic and/or social externalities (or mitigates negative ones) across country boundaries among participating countries, as demonstrated through at least one project development objective (PDO) level indicator that measures these externalities. In addition to results indicators, the project document should clearly outline how the project will generate such externalities.

c. There is clear evidence of country and regional ownership of the operation, demonstrating the commitment of the participating countries.

d. The operation provides a platform for a high level of policy harmonization between countries and is part of a well-developed and broadly supported regional strategy.

4. **Allocations.** Resources from the IDA Regional Window are provided in addition to the IDA country allocations. The size of the window will be [$X billion (equivalent to SDRX billion)].

a. **Allocations to Regions**. At the beginning of each IDA cycle, each region is given an indicative allocation for the three-year replenishment period. Of these indicative allocations, 75 percent is allocated to the two Africa regions, while the remaining 25 percent is allocated to the other five regions in proportion to each region's share in total

[1] Operations can be designed as regular stand-alone projects/programs, Series of Projects (SOPs), or Multi-Phase Approaches (MPAs).

[2] When a country has loans or credits in non-accrual status and its participation is crucial to the operation, it may still participate, but IDA financing is not directly provided to that country. A regional entity or another country participating in the project may take on the obligations of the country and implement the project on its behalf.

country allocations to those five regions. Actual allocations are made at the beginning of each fiscal year.

b. **Allocations to Operations**. Actual allocations to each operation are determined by the relevant Region. Operations are selected for their strategic relevance based on regional integration strategies.

c. **Financing Terms.** For each participating country, Regional Window financing is provided on the same terms as the relevant country's PBA, including any credit/grant distribution.

d. **Leveraging (Co-financing Ratio)**. Normally, at least one-third of a country's share of the cost of an eligible regional project or DPF comes from its country allocation and two-thirds come from the IDA Regional Window. This co-financing ratio, however, could be adjusted by the Bank regions as follows:

i. ***Resource Optimization.*** To optimize the use of resources from the IDA Regional Window, a region may choose a lower level of leverage.

ii. ***Small States.*** The contribution from a Small State's country allocation to Regional Window operations in a given financial year may be capped at 20 percent of its annual country allocation.

iii. ***Large Projects.*** The contribution from a country allocation to a Regional Window operation may be capped at 20 percent during a replenishment period where the cost of the project is very large relative to the three-year allocation (see paragraph 7 on limitations and process).

e. **IDA and International Bank for Reconstruction and Development (IBRD) Borrowers.** When a regional operation involves the participation of both IDA and IBRD-only countries, the IBRD-only borrowers finance their participation in the project through IBRD borrowings or from other resources.

5. **Regional DPF.** Regional policy lending may be provided to IDA countries to support the establishment of their common policy framework for coordinating and sequencing reforms.

a. To ensure selective use of limited resources to support DPFs, overall allocations to DPF will be capped at 10 percent of the IDA Regional Window.

b. DPFs will adhere to the World Bank's Policy 'Policy for Development Policy Financing', which includes *inter alia* maintaining an adequate macroeconomic policy framework and supporting a set of critical policy and institutional actions, underpinned by analytical work, as agreed between the World Bank and participating IDA countries.

c. The size of each participating country's DPF will be determined by the design of each operation, size of ongoing national DPFs, and the fiscal needs (same as national DPFs), as

well as the strength and depth of the reform program and agreements among participating countries.

d. Financing terms and leveraging ratios for DPFs follow the same rules as IPFs, as outlined in paragraph 4.

6. **Regional Organizations.**

a. **Credits to Regional Organizations.** The IDA Regional Window may implement some operations with the support of regional organizations which have the capacity to repay IDA credits.[3] In such cases, the IDA Regional Window will extend financing to the organizations on credit terms. Financing will be based on:

i. the nature and economic appraisal of the project – for instance, whether it generates revenues and returns that enable the regional organization to repay the credits;

ii. the entity is a bona fide regional organization that has the legal status, fiduciary capacity and the legal authority to carry out the activities financed, and;

iii. the ability of the regional organization to repay credits, considering the regional organization's rating with rating agencies and/or assessments based on their revenue streams and cash flows.

b. **Grants to Regional Organizations.** The IDA Regional Window may provide grants to regional entities to support the implementation of Regional Window operations or to build regional entities' capacity for supporting strategic regional priorities, or both. Eligibility criteria:

i. The entity is a bona fide regional organization that has the legal status and fiduciary capacity to receive grant funding and the legal authority to carry out the activities financed.

ii. The entity does not meet eligibility requirements to receive an IDA Credit.[4]

iii. The costs and benefits of an activity to be financed with the IDA Grant cannot be easily attributed to national programs.[5]

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[3] In IDA18, this was done through a Board-approved waiver to channel credits through the West African Development Bank (BOAD) of the Western Africa Economic Monetary Union (WAEMU) Affordable Housing Project, and the Bank of Central African States (BEAC) to support strengthening Financial Institutions in the Central African Economic and Monetary Community (CEMAC).

[4] A regional entity is eligible to receive an IDA Grant only if it lacks the legal capacity or authority to borrow or repay a loan.

[5] The activities to be supported from the IDA grant should not produce direct or exclusive benefits to an individual participating country.

iv. The activities to be financed with an IDA Grant are related to regional infrastructure development, institutional cooperation for economic integration, or coordinated interventions to provide regional public goods or mitigate public "bads".

v. Grant co-financing for the activity is not readily available from other development partners.

vi. The entity is associated with a Regional Window operation or otherwise supports the strategic objectives of IDA on regional integration.

c. **Cap on Grants to Regional Organizations.** The total amount of IDA Grants that each Region may provide to Regional Organizations is limited to 10 percent of the Region's allocation for a Replenishment period.

d. **Governance.** Operations involving regional organizations are approved by the IDA Board of Executive Directors ("the Board" and are subject to regular Bank review and processing procedures for IPF and DPF.

7. **Exceptional Financing** There are two main exceptions to the eligibility and financing criteria described above.

a. **Transformational Projects Located in a Single Country.** The Regional Window may, on an exceptional basis, finance a project located in only one IDA-eligible country when a project's physical implementation takes place in only one country but will generate significant transformational externalities beyond the country's boundaries. All the following criteria would need to be met:

i. Clear articulation of the project's transformational or public good impact on the region, where at least two countries would benefit from substantial and measurable externalities from the project.

ii. The project will require financial participation of only the country where it is located; it would not require financial participation of other countries.

iii. All other financing options have been ruled out and Regional Window financing is considered as the last resort.

iv. The project otherwise meets the window eligibility criteria set out in paragraph 3.

b. **Large Projects Relative to Country Allocation.** As outlined in paragraph 4.c.iii, a country's contribution to the cost of a regional operation may be capped at 20 percent during a Replenishment period where the cost of the project is very large relative to such three-year allocation.

c. **Limit on Exceptional Financing.** During a Replenishment period, the total amount of Regional Window financing provided under the two exceptions described above is limited to 20 percent of the total resource envelope for the IDA Regional Window.

d. **Process for Exceptional Financing**. When a Region intends to seek exceptional financing under the two exceptions described above, Management consults the Board early in the process for clearance.

ANNEX 7. CRISIS RESPONSE WINDOW IMPLEMENTATION ARRANGEMENTS

1. **Purpose.** The main objectives of the CRW are to: (a) establish a systematic approach in IDA for crisis response; (b) provide additional and predictable financing to IDA-eligible countries hit by crises; and (c) enhance IDA's capacity to effectively participate in crisis response efforts. The CRW provides IDA countries with a dedicated source of additional resources to (a) respond, as last resort, to the impact of natural disasters, public health emergencies and economic crises, and (b) respond at an earlier juncture to slower-onset crises, namely, disease outbreaks and food insecurity. CRW support is part of IDA's overall response to a crisis, complementing the roles of other development partners, and based on IDA's comparative advantages and development mandate. While the CRW supports response efforts after a crisis has materialized, it contributes to the resilience agenda via building back better.[1] Operations financed by the CRW are expected to include, where feasible, components or features designed to help prevent future crises or mitigate their economic and social impact—unless covered by other operations.

A. CRW SUPPORT FOR SEVERE CRISES

2. **Purpose**. CRW resources are intended as a last resort to assist IDA-eligible countries in coping with severe crises. Access is granted where alternative sources of funding are insufficient and where IDA participates in a concerted international response to a broadly recognized crisis. Operations financed by the CRW are also expected to include, where feasible, components or features designed to help prevent future crises or mitigate their economic and social impact—unless covered by other operations.

3. **Country Eligibility**. While all IDA-eligible countries are in principle eligible for CRW support, a country's access to the CRW depends on specific circumstances including the magnitude of the impact of the crisis, the country's access to alternative sources of financing (including IBRD), and its ability to use its own resources.

4. **Allocations**. CRW resources are allocated only in response to crises as described in paragraphs 5 (Natural Disasters), 6 (Public Health Emergencies), and 7 (Economic Crises).[2]

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[1] CRW recipients also need to demonstrate a stronger focus on prevention and preparedness in their post-crisis core IDA programming. This is to be reflected in country engagement products, particularly programming documents— CENs, CPFs, and PLRs. The documents should cite the amount of and rationale for CRW support already provided, lessons learned and how these inform the country's subsequent core IDA programming to strengthen crisis preparedness. The aim is to demonstrate how crisis prevention and preparedness has percolated beyond CRW-funded operations to broader core IDA programming agendas.

[2] This includes CRW resources to respond to already-severe food security crises that arise from natural disasters, public health emergencies and economic crises. Such resources would be different from the CRW ERF described in section B.

i. NATURAL DISASTERS

5. **Natural Disasters**. CRW resources may be used to support IDA-eligible countries in the aftermath of an exceptionally severe natural disaster (e.g., earthquake, flood, drought, and tsunami).

a. ***Trigger.*** CRW resources can be used only in the case of natural disasters that are exceptionally severe. Parametric data on disaster frequency and impact will be an important, but not the only, eligibility criterion to determine whether a country affected by a particular event qualifies to receive CRW resources.[3]

b. ***Crisis Eligibility and Size of Allocation***. In the immediate aftermath of a severe natural disaster, Management will review the available impact data to form an early assessment of a country's need for CRW resources. As immediate post-disaster impact data tends to be limited and evolving, an early assessment may also take account of whether the affected country has: (i) issued a declaration of emergency; (ii) requested CRW resources; and (iii) requested a post-disaster assessment (such as Post-Disaster Needs Assessment (PDNA), a Global Rapid Post-disaster Damage Estimation (GRADE) or other assessments, or a combination of such assessments).[4] In addition, such assessment will take into account the WBG's capacity to respond without accessing the CRW; and will also outline, where relevant, cooperation with the UN—particularly the Office for the Coordination of Humanitarian Affairs (OCHA). The early assessment is updated as more data and information become available. The final decision on the size of the CRW allocation takes into account: (i) information on the severity of the crises and cost of recovery based on the relevant post-disaster assessment; (ii) number of affected persons (such as persons rendered homeless) and/or incurred loss of income or livelihood; (iii) estimates of impact on GDP; (iv) availability of resources to respond to the crisis;[5] (v) country's absorptive capacity; (vi) issuance of UN Flash Appeal; (vii) country size (e.g., Small States); and (viii) the CRW's past support to the country concerned.

ii. PUBLIC HEALTH EMERGENCIES

6. **Public Health Emergencies**. CRW resources may be used to address public health emergencies that are of potential international importance.

a. ***Trigger***. CRW resources can be used only when:

i. the affected country has declared a national public health emergency; and

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[3] Parametric data —e.g., the magnitude of an earthquake on the Richter's Scale— may not always accurately reflect the impact of a disaster. The severity of the impact also depends on, for example, disaster preparedness and proximity to human settlements.

[4] PDNAs provide a reliable, internationally recognized and government-owned mechanism to verify the impacts (damage and losses) of a disaster. They would also: (a) provide a comprehensive estimate of overall and multi-sectoral disaster recovery needs; (b) incorporate disaster risk reduction as an agreed element of the disaster recovery framework; and (c) reflect multi-stakeholder consensus over sectoral recovery strategies.

[5] This includes, for instance, resources available from the country's IDA portfolio, domestic sources, other external financing sources (including IBRD), and the amount of resources left in the CRW.

ii. the World Health Organization (WHO) has declared that the outbreak is of potential international importance, under WHO's Global Alert and Response System, in accordance with the 2005 International Health Regulations.

b. ***Crisis Eligibility and Size of Allocation*.** In the initial stage of a potentially CRW-eligible public health emergency, Management will review available impact data to form an early assessment regarding the need to access CRW resources. Such early assessment may take into account: (i) support from other sources such as the Health Emergency Preparedness and Response Multi-Donor Fund (HEPRF); (ii) whether the affected country has issued a declaration of a public health emergency; (iii) whether the affected country has requested CRW resources; (iv) whether the affected country has requested a Needs Assessment;[6] (v) the WBG's capacity to respond without accessing the CRW; and (vi) cooperation with the UN—particularly the WHO—and other development partners. The assessment is updated as more data and information become available. The final decision on the size of the CRW allocation takes into account (i) information on the severity of the emergency and the cost of response; (ii) number of affected persons and/or incurred loss of income or livelihood; (iii) estimates of impact on GDP; (iv) availability of resources to respond to the crisis;[7] (v) the country's absorptive capacity; (vi) issuance of UN Flash Appeal; (vii) country size (e.g., Small States); and (viii) CRW's past support to the country concerned.

iii. ECONOMIC CRISES

7. **Economic Crises.** CRW resources may be used to address severe economic crises that are caused by exogenous shocks and that affect multiple IDA countries (e.g., global food, fuel or financial crises). In providing CRW assistance, IDA seeks to mitigate the impact on vulnerable groups and protect core development spending at risk, for instance, in health, education, social safety nets, infrastructure and agriculture.

a. ***Trigger***. CRW resources can be accessed if there is evidence of a severe economic crisis that is caused by an exogenous shock and that affects a significant number of IDA-eligible countries as follows:

i. the crisis is expected to result in a widespread or a regional year-on-year GDP growth decline of three percentage points or more in a significant number of IDA-eligible countries;[8] or

ii. in the event of a severe price shock that did not result in a GDP growth decline in line with the above trigger, but: (a) the shock is broad-based and deemed severe in terms of fiscal impact; (b) there is consensus that a concerted international response is needed;

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[6] A Needs Assessment would: (a) provide, in collaboration with other partners including the WHO, a comprehensive estimate of overall needs; (b) assess the impact on countries' economies and public finances; and (c) reflect on the impact of the public health emergency on the countries' medium-/long-term development goals.

[7] This includes, for instance, resources available from the country's IDA portfolio, domestic sources, other external financing sources, and the amount of resources left in the CRW.

[8] The projected GDP growth decline is assessed using data primarily from the IMF's World Economic Outlook.

and (c) the existing IDA allocations of affected countries are deemed insufficient to provide an adequate response.

b. ***Crisis Eligibility and Size of Allocation***. Eligibility is determined primarily by the expected impact of the crisis on a country's GDP:

i. A year-on-year decline of GDP growth of three percentage points or more is the threshold to identify the countries that could be eligible for CRW funding (except in cases of a severe price shock that satisfies the conditions set out in paragraph 7.a.ii above). This preliminary ringfencing is vetted by an analysis of available fiscal data and other relevant data in line with the CRW's objective to protect or mitigate the impact of the crisis on core spending in the short-term and avoid derailing long-term development objectives. Based on the results of this analysis, countries where the crisis did not have a significant fiscal impact could be excluded from CRW eligibility, even if they did experience a decline in GDP growth of three percentage points or more.

ii. The allocation framework is based primarily on a fiscal analysis,[9] taking into account the impact on the country, resource needs and availability, the country's ability to effectively use resources, and the CRW's past support to the country concerned. Country allocations are calculated on a per capita basis to take into account country size; countries with the greatest impact are likely to receive proportionately more resources than those with a lower impact. In determining country allocation(s), consideration is given to including (i) a base allocation to ensure a meaningful response, particularly for Small States; and (ii) a cap on the resources allocated to any one country or group of countries;[10] such a cap could be particularly relevant in cases where the same event affects countries or groups of countries with different lags—to avoid the risk of a first-come first-served approach that could lead to depletion of finite resources.

iii. Typically, a two-stage approach is adopted in allocating resources for economic crises where the bulk of the allocation (that is, at least 75 percent of the expected total) is assigned to eligible countries in the first round. Allocations may be subsequently adjusted using the share of resources not allocated at the first stage in light of additional country-specific information on crisis impact, resources required, and the capacity to mobilize and effectively use resources. The initial allocation to an individual country may be subsequently increased by up to 33 percent of the first stage allocation. Management will submit a note to the IDA Board of Executive Directors ("the Board") with details of any second stage allocations in advance of seeking the Board's approval of projects and programs that will be financed by second stage allocations.

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[9] The fiscal analysis required to support assessments of country eligibility and the size of the CRW allocation would cover government revenues, spending, and financing plans to estimate the core development spending at risk, where core development spending at risk is defined as the amount needed to maintain the pre-existing path of spending on education, health and operations and maintenance of existing infrastructure, and to maintain or potentially increase spending on safety nets, depending on the nature of the crisis.

[10] The cap was originally set at five percent of total resources for the pilot CRW. The cap to be set for economic crises thereafter could vary depending on the number of countries deemed eligible for CRW support.

c. ***Coordination with the IMF.*** Where an economic crisis is caused by external terms of trade shocks or financial market disruptions, Management will reflect in its assessment the views of IMF staff on the overall extent and nature of the shock and, to the extent possible, the impact on the individual countries and relevant information regarding their macroeconomic policy frameworks, drawing primarily on existing publicly available IMF report(s). Staff of the Bank and the Fund will collaborate closely on specific country cases.

B. CRW EARLY RESPONSE FINANCING TO SLOWER-ONSET EVENTS

8. **Purpose.** The CRW Early Response Financing (ERF) resource allocation support early responses to slower-onset events, namely, disease outbreaks and food insecurity. Whereas the devastating effects of sudden-onset crises like earthquakes can be observed more quickly and hence galvanize timely resource mobilization, the impetus to react to slower-onset crises may not be as apparent, especially during the early stages of such events. CRW ERF is intended for slower-onset events which are identified as having the potential to escalate into major crises but are still in the early stages of progression. Should the event intensify into a severe crisis, countries could potentially seek additional CRW support as per Section A above.

9. **Country Eligibility**. All IDA-eligible countries are eligible for CRW ERF, provided that they:

a. have in place a credible ***preparedness plan***[11] for disease outbreaks and/or food insecurity prior to crisis, or develop such a plan subsequently;[12] and

b. upon the disease outbreak or food insecurity event materializing, develop a ***costed response plan*** which will be assessed as part of the country's request for CRW ERF.

10. **Allocations**. CRW ERF resources are allocated only in response to slower-onset events as described in paragraphs 11 (Disease Outbreaks) and 12 (Food Insecurity), subject to the cap mentioned in paragraph 10.a. below.

a. ***Aggregate Limit.*** The CRW ERF for both disease outbreaks and food insecurity is subject to an aggregate cap of $1 billion.

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[11] The preparedness plan must set out the operational procedures to respond to and contain a food security crisis or a disease outbreak. It should be based on an analysis of the country's and the region's exposure to food insecurity or disease outbreaks and address key drivers of risk.

[12] A plan that is developed post-crisis should lay out the links between CRW usage and subsequent programming of country allocations for resilience. See footnote 1 above.

i. DISEASE OUTBREAKS

11. **Disease Outbreaks.** CRW ERF resources may be used to support early interventions that help accelerate disease outbreak containment for high-risk outbreaks that pose a significant threat of spreading within a country or across countries, with potential to cause a large-scale regional epidemic or global pandemic.[13]

a. ***Triggers.*** The CRW ERF can be accessed only if the disease outbreak:

i. is due to a pathogen covered in paragraph 11.b.i;

ii. meets the severity thresholds in paragraph 11.b.ii; and

iii. passes the technical assessment in paragraph 11.b.iii.

b. ***Crisis Eligibility.*** Eligibility is determined as follows.

i. *Pathogen Type*: Consideration will be given to outbreaks of viral pathogens with a primary zoonotic reservoir[14] or outbreaks due to deliberate or accidental release of pathogens previously eliminated from the human population.[15] Outbreaks of non-viral pathogens and pathogens currently endemic in human populations[16] are excluded.[17]

ii. *Severity Thresholds*: Two epidemiological criteria are used to justify that an outbreak has met a minimum level of severity: (a) the number of laboratory-confirmed cases in the country having reached the pathogen-specific threshold; and (b) there is evidence that these cases are epidemiologically linked and arise from a single outbreak of sustained transmission of the pathogen within the human population—if attributing the source of infection is not feasible, a higher threshold of laboratory-confirmed case numbers alone is sufficient.[18]

iii. *Technical Assessment*: An event deemed potentially eligible based on paragraphs 11.b.i and 11.b.ii above will be referred to subject matter experts for a technical assessment.[19]

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[13] As noted in paragraph 8, should the disease outbreak intensify into a severe crisis, countries could potentially seek additional CRW support as per Section A above.

[14] These include novel influenza subtypes being transmitted within the human population, coronaviruses and filoviruses.

[15] Currently, smallpox.

[16] Endemicity is defined here as continuous sustained human-to-human transmission of a pathogen in the global human population.

[17] Examples of excluded pathogens are dengue, cholera, malaria, tuberculosis, measles and Human Immunodeficiency Virus.

[18] Determination of whether an outbreak has reached these epidemiological thresholds will be based on publicly available epidemiological data published by the WHO (HQ or regional offices) and/or national public health agencies.

[19] Such a technical assessment will be conducted by subject matter experts in the WB, in consultation with the WHO's Strategic & Technical Advisory Group of Infectious Hazards (STAG-IH). This WB technical group does not have a decision-making role on the use of CRW ERF resources. CRW ERF allocations will be approved by the Board per paragraph 16 of this Annex.

For an outbreak to qualify for CRW ERF, this technical assessment must verify: (a) that the outbreak is driven by human-to-human transmission, in the case that evidence of human-to-human transmission is available; (b) that the underlying incidence trends suggest continued growth in the weekly number of newly confirmed cases; and (c) unless the proposed outbreak response plan submitted by the country has been endorsed by the WHO, that this proposed plan is consistent with prevailing expert opinions in specialized agencies such as WHO and is aligned with applicable WHO public health recommendations relating to the specific outbreak.

c. ***Size of Allocation.*** CRW ERF allocations for disease outbreaks will be capped (on a per country per event[20] basis) at the lower of $25 million or the cost of the country's outbreak response plan.[21] Determination of the actual amount of CRW ERF allocation will take into account factors such as contributions from external partners and/or the affected country for outbreak response.[22]

ii. FOOD INSECURITY

12. **Food Insecurity.** CRW ERF resources may be used to support interventions that help mitigate worsening food insecurity conditions which pose a significant threat of becoming a large-scale food insecurity crisis within a country or across countries.[23]

a. ***Triggers.*** CRW ERF can be accessed only if the food insecurity event:

i. *is primarily due to the drivers in paragraph 12.b.i;*

ii. *meets the severity thresholds in paragraph 12.b.ii; and*

iii. *passes the technical assessment in paragraph 12.b.iii.*

b. ***Crisis Eligibility.*** Eligibility is determined as follows.

i. *Type of Drivers:* CRW ERF for food security crises will cover events driven by natural disasters, economic shocks and/or public health threats.

ii. *Severity Thresholds:* A food insecurity event in an eligible country must reach a minimum level of severity, determined by either: (a) food insecurity thresholds; or (b) country-specific analyses of risks.

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[20] "Per event" is defined as an outbreak that is different and unrelated to a past or ongoing outbreak, as determined by the WHO.

[21] See paragraph 9.b and 11.a.iii.

[22] If such non-CRW resources are forthcoming, the size of the CRW ERF allocation would be reduced correspondingly, unless there for instance remains a financing gap for the costed response plan.

[23] As noted in paragraph 8, should the food insecurity event intensify into a severe crisis, countries could potentially seek additional CRW support as per Section A above.

(1) *Food Insecurity Thresholds*: Food insecurity thresholds have been established to identify an eligible event which has the potential to become a major food insecurity crisis. These thresholds serve to provide a consistent risk measure across countries, where available.

(2) *Country-specific Analyses*: Alternatively, an event can qualify based on country-level evidence and established local early warning systems. This applies particularly when the food insecurity thresholds in paragraph 12.b.ii.1 may not be available for a given country due to a lack of forecasting information.[24] Additionally, this could apply in situations when food insecurity thresholds are available but have not been breached, but local-level indicators[25] signal a significant cause for concern.

iii. *Technical Assessment:* An event deemed potentially eligible based on paragraphs 12.b.i and 12.b.ii above will be referred for a technical assessment.[26] This technical assessment must: (a) where the food insecurity thresholds in paragraph 12.b.ii.1 are breached, verify that local food insecurity conditions corroborate the worsening outlook; (b) where the food insecurity thresholds are not breached (i.e., paragraph 12.b.ii.2), provide additional information to help inform the Bank's decision on whether CRW ERF should be deployed; and (c) provide an assessment of the technical quality of the country's preparedness and response plans.

c. ***Size of Allocation.*** CRW ERF for food insecurity shall be capped at the lower of $50 million per IDA cycle or the cost of the country's response plan. Determination of the actual amount of CRW ERF allocation will take into account factors such as contributions from external partners and/or the affected country for responding to the food insecurity event.[27]

C. FINANCING TERMS

13. **The size of the CRW will be [$X billion].**

14. **The terms of CRW financing are the same as those for financing from regular PBA[28] to the country concerned, including the credit/grant distribution.** However, in the case of natural disasters, if the natural disaster results in damages and losses of over a third of the country's

[24] For some countries, districts or time periods, there may not be FEWSNET / IPC data and food insecurity forecasts that are produced or available.

[25] Such information may include disaggregated indicators of food insecurity, e.g., market prices, climate-related indicators and seasonal outlook assessments for crop and livestock conditions. The indicators would be selected to be consistent with international standards (including IPC reference tables and IASC Joint Inter-Sectoral Analysis Framework) and to represent operative common benchmarks of human welfare and livelihoods, such as acute malnutrition and mortality.

[26] This technical assessment will be conducted by subject matter experts in the WB taking into account relevant external analysis.

[27] If such non-CRW resources are forthcoming, the size of the CRW allocation would be reduced correspondingly, unless there for instance remains a financing gap for the costed response plan.

[28] Regular PBA financing excludes concessional SMLs provided under PBA.

GDP, its regular PBA financing terms may be adjusted, based on an updated Debt Sustainability Analysis (DSA) in the aftermath of the crisis in accordance with Section IV of the Bank Policy "Financial Terms and Conditions of Bank Financing." CRW financing will then follow the adjusted post-disaster IDA financing terms applicable to the country.

15. **Contingent Emergency Response Components (CERCs).** The CRW finances CERCs as follows:

a. ***Top-up approach.*** The CRW may replenish, in part or whole, project funds that are drawn down using CERCs to respond to CRW-eligible crises. For the ERF, top-ups are capped at the limits in paragraphs 11.c and 12.c above.

b. ***Pre-allocated approach.*** For ERF only, the CRW may pre-allocate a CERC up to the $25 million limit. To qualify for CRW pre-allocations, a project needs to demonstrate benefits on how it will enhance resilience. In addition, to avoid substitution vis-à-vis IDA country allocations, the project document needs to demonstrate the additionality of expected outcomes, i.e., pre-allocated CRW funds should only address crisis-related activities and be differentiated from regular project activities that are funded by PBA and other sources. Overall, the crisis supported activities should connect and be in line with the country's respective resilience building efforts.

16. The Development Policy Financing with Catastrophe Drawdown Option (DPF Cat DDO). The CRW may allocate resources for up to 25 percent of DPF Cat DDOs supplementing IDA country allocation resources.

D. APPROVALS

17. **Requests for CRW support for severe crises and for the CRW ERF will be approved by the Board.** Where CRW ERF funds are used for pre-allocated CERCs to enable faster response to disease outbreaks and/or food insecurity, the Board will—at the time of project approval—also approve the (i) pre-allocated amount of CRW funds; and (ii) CERC triggers.[29] Upon the CERC being activated, Management will determine the *final* amount of CRW funds to be disbursed. Such *final* amount must not exceed the pre-allocated CRW amount that has been approved by the Board.

[29] The CERC triggers for such projects will need to be in accordance with the CRW early response triggers.

ANNEX 8. PRIVATE SECTOR WINDOW IMPLEMENTATION ARRANGEMENTS

1. **Purpose**. The objective of the IDA Private Sector Window (PSW), through leveraging International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) platforms, is to support mobilizing private sector investment and scaling up growth of a sustainable and responsible private sector in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations (FCS). PSW is one of the key instruments available to support IFC and MIGA's continued expansion and scale up of activities in the most challenging IDA markets, including the green, inclusive, and resilient response to the COVID-19 pandemic, which would lay the foundation for a sustainable recovery.

2. **Activities.** The PSW's four facilities support the following activities: (i) a Blended Finance Facility (BFF) to blend PSW funds with pioneering IFC investments across sectors with high development impact, including SMEs, agribusiness, health, education, affordable housing, infrastructure and climate finance, among others; (ii) a Risk Mitigation Facility (RMF) to provide guarantees without sovereign indemnity to crowd-in private investment in infrastructure projects and public-private partnerships; (iii) a MIGA Guarantee Facility (MGF) to expand guarantee coverage through shared first-loss and risk participation akin to reinsurance; and, (iv) a Local Currency Facility (LCF) to facilitate local currency IFC investments in PSW eligible countries where capital markets are not developed and market solutions are not sufficiently available.

3. **Eligibility**. The following eligibility and prioritization criteria drive the selection of PSW supported projects:

a. IDA-only and fragile or conflict-affected IDA Gap and Blend countries are eligible for PSW support. The list of eligible countries will be confirmed at the beginning of IDA20 for the duration of the three-year period and adjusted if needed for countries that fall back to IDA-only or FCS status. In addition, countries which have transitioned to IDA gap status or out of FCS status during IDA19 will continue being eligible to receive PSW support in IDA20.[1] Furthermore, PSW resources can be used to support regional and/or programmatic investments where a maximum of 20 percent is invested outside of PSW eligible countries. On a case-by-case basis, support to activities in fragile or conflict-affected sub-regions of non-FCS IDA Gap and Blend countries[2] may be considered, subject to review by the PSW Oversight Committee, and approval by the IDA Board of Executive Directors ("the Board") in accordance with the PSW governance process, as well as facility-specific risk limits.

b. Strategic alignment with IDA's poverty focus, the IDA20's Special Themes and Cross-Cutting Issues, WBG's country strategies, and the WBG's approach to supporting private sector investment and creating markets.

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[1] To be eligible for MGF, countries also need to be members of MIGA.

[2] Sub-national fragility will be determined through a qualitative and quantitative assessment, including more than 25 conflict related deaths per year, carried out by the FCV Group.

c. Principles for using concessional finance in private sector operations:[3] economic rationale for blended concessional finance, crowding-in and minimum concessionality, commercial sustainability, reinforcing markets, and promoting high standards.

d. Risks borne by PSW, including financial loss as well as other risks (e.g., reputational risks, environmental and social (E&S) project risks, etc.).

4. **Allocations.** The PSW will be allocated IDA resources of [$X billion] within the IDA20 commitment authority. Facility allocations are indicatively set at $[1,300-1,500] million for the BFF, $[600-750] million for the LCF, $[250-600] million for the RMF, and [$500 million] for the MGF reflecting evolving demand. Similar to the previous replenishments, Management will retain authority to reallocate resources across the facilities within PSW allocation and will keep the Board and IDA Participants apprised of any such adjustments. The level of resources allocated to the PSW may be reevaluated at the IDA20 Mid-Term Review or as needed, particularly in relation to increased demand to scale up private sector investment in COVID-19 vaccine production and large-scale infrastructure investments associated with COVID-19 pandemic economic recovery.

5. **Financing Terms.** Financing terms will be determined in line with the principles for using concessional finance as outlined above. Transparent risk-return management will ensure adherence to appropriate pricing principles in light of the risks assumed by IDA under PSW. Recognizing the higher risk carried by PSW-enabled transactions, appropriate approaches established by Management to manage and share various risks will continue to be used while still enabling high-impact projects in PSW eligible countries. PSW financing can be provided in US Dollars and Euros, as applicable. PSW investments will be capped at the equivalent to the allocated [$X billion], measured at the time of Board approval of each investment. The risk management approach may be adjusted over time based on how the risk of the actual portfolio evolves.

6. **Financing Instruments.** Financial support from the PSW is provided through several instruments including, but not limited to, senior and subordinated loans, credit and political risk guarantees, quasi-equity and equity (through funded total return swaps), risk sharing facilities, and derivatives. To address the evolving needs in PSW eligible countries, IDA Management may propose additional instruments and tools aligned with PSW objectives, criteria, and financial and risk parameters. When a new facility or instrument is proposed under the PSW framework, it is presented to the PSW Secretariat, hosted in the Development Finance VPU (DFi), by the institution (either IFC or MIGA) responsible for implementation of the facility or the instrument, after ensuring compliance with its own policies and procedures. After the review by the PSW Secretariat, it is presented to the WBG-wide PSW Oversight Committee (OC) to ensure its alignment with the PSW objectives and criteria. On the IDA side, the financial parameters and risk guidelines are reviewed and approved by the Bank's Asset-Liability Management Committee (ALCO) and/or the Finance and Risk Committee (FRC), based on recommendation by its standing committee, the New Business Committee (NBC). IDA Participants are consulted for endorsement, following which, the proposed new facility or instrument are presented to the Boards of the

[3] The Enhanced Blended Concessional Finance Principles for Development Finance Institutions' (DFIs) Private Sector Operations, jointly developed and endorsed by representatives from DFIs in 2017, aim to maximize impact and minimize potential market distortions through the use of concessional resources. Additional information and updates can be found at www.ifc.org/blendedfinance.

respective Institution(s) for approval. Transactions supported by a new facility or instrument are approved by the relevant Boards.

7. **Governance.** The governance framework of the PSW is guided by the following principles that were agreed by the three WBG institutions: (i) *accountability* through independent decision-making by each institution (IDA, IFC and MIGA) in line with its unique mandate and structure, the PSW eligibility criteria, and with the ultimate approval authority for use of PSW resources lying with the IDA Board;[4] (ii) *oversight* through clear reporting and review, with the recourse to PSW OC in the event of disagreement on PSW use and otherwise, in accordance with the PSW OC Procedure; (iii) *conflict of interest management* through each institution vetting cross-institutional transactions independently, with arrangements between/among IDA, MIGA and IFC with respect to financing under PSW, negotiated on an arm's length basis to ensure fiduciary and institutional duties are not compromised; (iv) *fees and cost sharing* through mutually agreed and articulated administration fees, reimbursable costs, and premiums to ensure IDA, IFC and MIGA are appropriately compensated for the risks assumed and the development impact expected from projects through transparent subsidies; and (v) *operational efficiency* through leveraging existing processes to the maximum extent possible without compromising other governance principles as outlined above; and (vi) *transparency and disclosure* of information on PSW-supported projects, in accordance with IFC and MIGA's respective information disclosure policies, and complemented by additional information on expected impacts and subsidies utilized.

8. **Implementation Support**. As in IDA18 and IDA19, IFC and MIGA will be responsible for all aspects of their respective transactions to be supported by the PSW including the origination, structuring and management of those transactions, based on the structure of each of the Facilities—namely: BFF, LCF and RMF for IFC, and MGF for MIGA. Under RMF, MIGA will act as Administrator of the RMF guarantees and IFC as administrator of the RMF account. All applicable IFC and/or MIGA policies and procedures (as the case may be) will apply with respect to the use of PSW resources in support of the relevant IFC and/or MIGA transactions. IDA's policies and procedures will not apply.

[4] Following endorsement from IDA Participants, the IDA Board of Executive Directors has vested authority with Management to process PSW sub-projects under programmatic approaches as a way to promote consistency between IDA and IFC's respective Board approval processes.

ANNEX 9. SCALE UP WINDOW IMPLEMENTATION ARRANGEMENTS

1. The Scale Up Window (SUW) will provide a mechanism for eligible IDA countries to augment their country allocations with additional resources delivered through two distinct parts: the concessional SUW-Shorter Maturity Loans (SUW-SML) to be offered only in IDA20 in order to scale up investments in eligible countries needed in the short and medium-term as part of their COVID-19 response, and the non-concessional Regular SUW, where eligible countries can borrow at IBRD terms (group A) to provide countries with healthy debt outlooks the opportunity to pursue selected high-impact operations.

A. SCALE UP WINDOW – SHORTER MATURITY LOANS

2. **Purpose.** The IDA20 concessional SUW-SML is designed to help meet heightened external financing needs in the aftermath of COVID-19. SUW-SML resources are provided in addition to country allocations. In order to address differing additional demands by countries, it makes available resources to further scale up needed investments in the short and medium-term as part of their COVID-19 response, for instance, operations in support of vaccines delivery, social protection operations and priority policy reforms. The SUW-SML are expected to be offered only during IDA20 and close at the end of the cycle.

3. **Country Eligibility.** IDA-only countries at low or moderate risk of debt distress, as well as Gap and Blend countries (except Small States that are at high risk or in debt distress), may receive SUW-SML financing. Countries that are facing debt vulnerabilities will only be able to access SUW-SMLs if they are on track in implementing reforms to improve debt transparency and management and fiscal sustainability, by having implemented the agreed Performance and Policy Actions (PPAs) in line with IDA's Sustainable Development Finance Policy (SDFP). In addition, access to SUW-SML for yellow light IDA-only countries will be conditioned on an ex-ante DSA showing no negative impact of the proposed SUW-SML financing on the countries' risk of debt distress.

4. **Allocations.** The size of SUW-SML will be [$X billion (equivalent to SDRX billion)].

a. ***Regional Allocations.*** Indicative allocations from SUW-SML are provided to each region in proportion to the share of country allocations allocated to each region, excluding countries at high risk of debt distress. The regional allocations may be adjusted, based on client demand.

b. ***Country Caps.*** To avoid concentration of SUW-SML resources, annual SUW-SML financing to a country should not normally exceed its annual country allocation or one-third of the country's indicative IDA20 country allocation, whatever is larger.

5. **Project/Program Prioritization.** In addition to the country eligibility criteria set out in paragraph 3 above, proposed operations will have to demonstrate alignment with one (or more) of the four pillars of the WBG COVID Response.[1]

6. **Financing Terms**. IDA20 SUW-SML provides concessional financing offered at zero interest or service charge, of 12 years maturity, with 6 years grace period.[2]

B. REGULAR SCALE UP WINDOW

7. **Purpose.** The IDA20 non-concessional Regular Scale-up Window (SUW) is designed to scale up IDA financing for transformational, country-specific and/or regional operations with a strong development impact and high economic returns. SUW resources are provided in addition to country allocations that countries receive, making them useful where country allocations are insufficient to support transformational initiatives.

8. **Country Eligibility.** IDA-eligible countries may receive SUW financing as follows, in alignment with IDA's Sustainable Development Finance Policy (SDFP) and the IMF's Debt Limit Policy:

a. ***Countries subject to a Low-Income Country Debt Sustainability Framework (LIC-DSF).*** These countries are eligible only if they are at low or moderate risk of debt distress;

b. ***Countries not subject to a LIC-DSF.*** These are considered on a case-by-case basis, subject to: (i) confirmation of alignment with IDA's SDFP and the IMF's Debt Limit Policy; and (ii) consultation across Chief Risk Officer (CRO), Macroeconomics, Trade and Investment Global Practice (MTIGP), Operations Policy and Country Services (OPCS), and Development Finance VPU (DFi).

9. **Allocations.** The size of SUW will be [$X billion (equivalent to SDRX billion)].

a. ***Regional Allocations.*** Indicative allocations from the Regular SUW are provided to each region in proportion to the share of country allocations to each Region, excluding countries at high risk of debt distress.

b. ***Blend Country Ratios.*** To appropriately balance Regular SUW resources between Blend countries and other IDA-eligible countries, Regular SUW financing to Blend countries is

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[1] The four pillars comprise: (i) World Bank emergency support to health interventions for *saving lives* threatened by the virus, (ii) WBG social response for *protecting poor and vulnerable people* from the impact of the economic and social crisis triggered by the pandemic, (iii) WBG economic response *for saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation* by helping firms and financial institutions survive the initial crisis shock, restructure and recapitalize to build resilience in recovery, and (iv) Focused WBG support for *strengthening policies, institutions and investments* for resilient, inclusive and sustainable recovery by Rebuilding Better. See "*Saving Lives, Scaling-up Impact and Getting Back on Track: World Bank Group COVID-19 Crisis Response Approach Paper.*"

[2] As part of the outreach on the new IDA lending term options, IDA borrowers will be provided with information on the type of operations that should be considered, in line with the four pillars of the WBG COVID Response.

limited to their respective share of country allocations for Regular SUW-eligible countries in the region.

c. ***Country Caps.*** To avoid concentration of Regular SUW resources, cumulative Regular SUW financing to a country should not exceed its cumulative IDA20 country allocation at any point during the replenishment. However, there is flexibility for Small States.

10. **Project/Program Prioritization.** In addition to the country eligibility criteria set out in paragraph 8 above, the following criteria are used to select projects/programs.

a. The potential for transformational impact of the proposed project/program.

b. Alignment with WBG goals and IDA policy priorities.

c. Risk of debt distress status of the borrower.

d. The country's capacity to absorb non-concessional resources for projects with high economic returns.

11. **Financing Terms**. IDA20 Regular SUW provides non-concessional financing on IBRD Flexible Loan terms (based on Group A pricing), as set out in Paragraph III.2.c.iii of the World Bank's Policy 'Financial Terms and Conditions of Bank Financing'.

ANNEX 10. SUSTAINABLE DEVELOPMENT FINANCE POLICY

1. **This Annex outlines the key features of the Sustainable Development Finance Policy (SDFP), including steps that guide its implementation and governance structure.**

A. KEY FEATURES OF THE SDFP

2. **Approved by IDA's Executive Directors on June 9, 2020, the SDFP became effective on July 1, 2020, at a time when a significant number of IDA countries at high/moderate risk of debt distress were seeing these risks further heightened with the impact of the COVID-19 pandemic.**[1] The policy aims to incentivize IDA countries to move towards transparent and sustainable financing and to further enhance coordination between IDA and other creditors in support of the countries' reform efforts. This is especially important now, given the critical importance of addressing debt vulnerabilities in many IDA countries that already had heightened debt risks and have seen a recent rise with the pandemic impact.

3. The following core elements of the SDFP were approved by the IDA Board of Executive Directors ("the Board").

a. ***Country Coverage.*** This Policy applies to all countries eligible for IDA resources, including Gap and Blend countries. This responds to heightened debt risks in the context of a changing financing framework and increased demand for development financing in all IDA countries, and reflects IDA's broader commitment to ensure that its resources are used prudently across the entire IDA portfolio.

b. ***Two Pillars of the SDFP.*** The SDFP comprises two main components: (a) the Debt Sustainability Enhancement Program (DSEP) that enhances incentives for countries to move toward transparent and sustainable borrowing and investment practices; and (b) the Program of Creditor Outreach (PCO) that leverages IDA's global platform and convening role to promote creditor outreach and coordination on sustainable lending practices, including debt transparency.

c. ***Key features of the Debt Sustainability Enhancement Program*:**

i. *Performance and Policy Actions (PPAs)***.** To support countries in making continuous improvements towards a sustainable borrowing path, IDA establishes PPAs for countries facing debt vulnerabilities.

[1] IDA, April 2020, Sustainable Development Finance Paper: *http://documents1.worldbank.org/curated/en/967661593111569878/pdf/Sustainable-Development-Finance-Policy-of-the-International-Development-Association.pdf*

ii. *Set-asides and discounts.* Set-asides from - or discounts of - IDA's country allocation ("country allocation")[2] are used to incentivize satisfactory implementation of these PPAs.

d. ***Key features of the Program of Creditor Outreach:***

i. Advance dialogue among a broader range of development partners towards putting in place a set of principles on sustainable financing;

ii. Facilitate coordination at the country-level among different creditors, including traditional and non-traditional creditors and the IMF, on actions to promote sound economic policies, prudent debt management, and sustainable lending practices;

iii. Enhance transparency and communications on sustainable financing through new information sharing initiatives and dialogue on the SDFP.

B. DEBT SUSTAINABILITY ENHANCEMENT PROGRAM

4. **The SDFP has been established as a multi-year process,[3] aiming to facilitate systematic engagement to address debt sustainability challenges in all IDA-eligible countries, using country dialogue, financing, analytics, and technical assistance**. The DSEP is implemented through five steps, namely: (i) *annual screening of debt vulnerabilities* of all IDA-eligible countries, (ii) *identification and selection of PPAs* to address critical drivers of debt vulnerabilities, (iii) *implementing PPAs* with support from IDA, (iv) *assessing implementation* of PPAs relative to their defined milestones, and (v) PPA *implications on IDA allocations and terms*.

5. **Information on debt vulnerabilities as of May 31st of each year determines which countries are required to prepare PPAs.** Countries assessed through the Low-Income Country Debt Sustainability Framework (LIC DSF) rated at moderate risk, high risk or in external debt distress based on the Debt Sustainability Analyses (DSAs) approved as of May 31st of each year are required to prepare PPAs for the forthcoming fiscal year (FY). Further, countries using the DSA for Market Access Countries (MAC DSA) framework will also have PPAs established for the subsequent FY unless the country team requests otherwise by March 31st of each year and Management determines that the country's debt vulnerabilities are limited. Countries at low risk of debt distress and some countries are exempt from preparing PPAs.[4]

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[2] Country allocation means IDA resource allocations to IDA eligible countries, based on the PBA or through any exceptional allocation regime, as applicable, which includes the Prevention and Resilience Allocation (PRA), Remaining Engaged during Conflict Allocation (RECA), and Turn Around Allocation (TAA) under the Fragility, Conflict and Violence (FCV) Envelope.

[3] IDA policies tend to have a long-term horizon. The SDFP builds on the NCBP, approved in 2006. Many countries based their choice of FY21 PPAs on a three-year time horizon.

[4] Four main groups of countries are exempt from preparing PPAs: (i) countries at a low risk of debt distress based on the joint Bank-Fund LIC DSF and countries under the MAC DSA which are determined by Management to have limited debt vulnerabilities; (ii) countries with loans/credits in non-accrual status to the WB; (iii) countries that are eligible for funding from IDA's Remaining Engaged during Conflict Allocation (RECA); and (iv) countries where IDA has no operational engagement or those under OP 7.30.

6. **Identification and selection of country PPAs is informed by sound diagnostics, analytical and operational work.** PPAs are expected to be policy and institutional actions or performance criteria such as a non-concessional borrowing ceiling. Depending on the country context, PPAs may cover some or all of the following areas: (i) improving debt transparency, (ii) strengthening fiscal sustainability, and (iii) improving debt management. Similar to best practice for Development Policy Financing (DPF) prior actions, PPAs should be credible actions that are expected to make a sustained policy or institutional change. PPAs are defined for each FY and are calibrated to the country's capacity across the spectrum of the client countries, including Small States and fragile and conflict-affected situations (FCS), to implement them within a given FY. The PPAs and rationale for these are set out in the PPA notes, which are approved by Management.[5]

7. **IDA provides support to its client countries as they implement their PPAs.** Support will be channeled through technical assistance and/or lending operations. When supported by DPFs, PPAs can take the form of a subset of, or full, prior actions or results indicators. PPAs can be based on IMF programs. PPA implementation can also be supported through assistance from IMF, other multilateral development banks (MDBs) or bilateral development partners.

8. **An assessment of PPA implementation is carried out at the end of the FY, with implications for the following FY's country allocations.** The SDFP introduces a robust monitoring and accountability framework, where country teams monitor the implementation of PPAs in the context of their country engagement and the authorities are responsible for providing evidence to support the assessment of the PPA implementation. Implementation Assessment Notes are prepared at the end of each FY to evaluate performance against targets. A country that satisfactorily implements all its PPAs in a given year, has access to 100 percent of its annual country allocation in the subsequent FY. Where this is not the case, a share of its country allocation for the following FY will be set aside.

9. **Amounts of set-asides (or discounts) are determined as follows**:

a. Countries covered under the LIC DSF:

i. For countries at high risk of, or in, external debt distress, the amount is 20 percent of the country's annual country allocation.

ii. For countries at moderate risk of external debt distress, the amount is 10 percent of the country's annual country allocation.

iii. For countries at low risk of external debt distress but required to prepare PPAs,[6] the amount is 10 percent of the country's annual country allocation.

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[5] Revisions and cancellations of PPAs take place under exceptional circumstances where warranted by changing country circumstances.

[6] These are countries that have an improvement of debt risk rating to green light as per the cut of date of May 31st, but did not satisfactorily implement their PPAs the previous year.

b. Countries subject to the MAC DSA, the amount is 10 percent of the country's annual country allocation.

c. The risk of debt distress assessment used for determining a country's set-aside amount (or discount) should be the same used for determining its country allocation for the year for which the set-aside (or discount) is applicable.

10. **Set-asides are released based on the findings of an annual exercise whereby IDA Management systematically assesses the implementation of agreed PPAs.**[7] If a country satisfactorily implements the PPAs associated with a set-aside in the FY after which the PPAs were established, the set-aside amount is released at the beginning of the following FY. A country that does not satisfactorily implement the PPAs associated with a set-aside during the second FY after which the PPAs were established loses the set-aside amount (defined as "discount"). Discounts are redistributed as part of the annual country allocation to other IDA-eligible countries which either have been assessed at a low risk of external debt distress for the purpose of that FY or have satisfactorily implemented their PPAs during the previous FY. Set-aside amounts associated with cancelled PPAs are released to the country either immediately or at the beginning of the subsequent FY.

11. **The SDFP set-aside mechanism is replenishment cycle-neutral, running continuously across cycles rather than coming to a hard stop at the end of each cycle.**[8] As a result, set-asides are applied following one year of unsatisfactory implementation of a PPA and can either be recovered by meeting that PPA the following year or become permanent discounts if that PPA is not met within two years, maintaining continuity regardless of the replenishment cycle. Figure A10.1 provides a visual representation of the set-aside mechanism under this framework.

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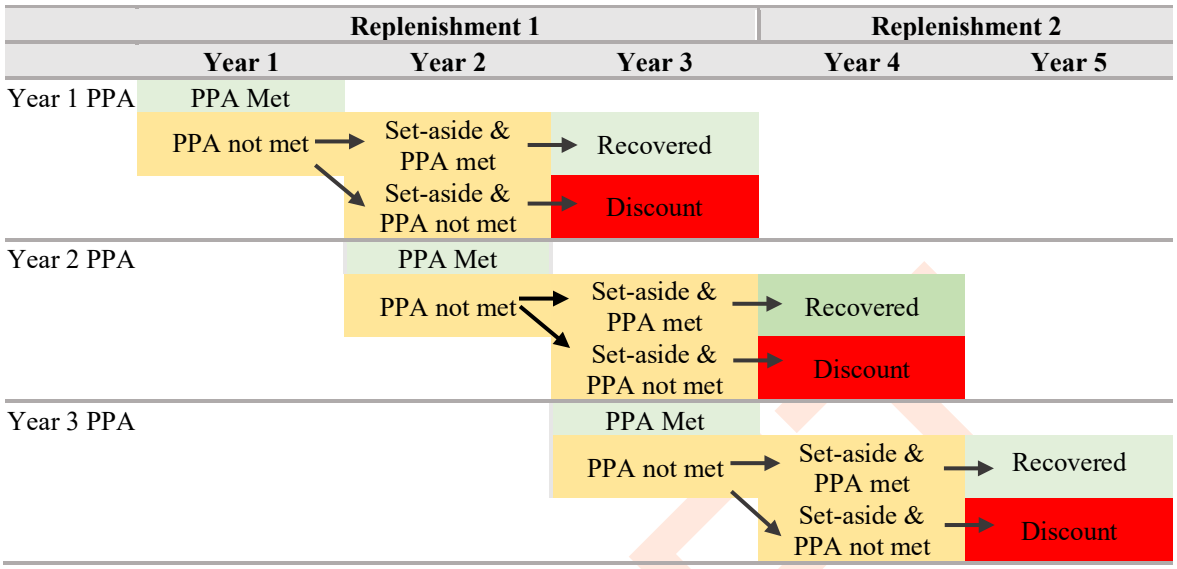
[7] If Management determines that the financial quality of IDA's credit portfolio significantly deteriorated as a result of unsatisfactory progress in implementation of PPAs by a significant number of IDA countries, then in order to enhance IDA's overall financial sustainability Management may request IDA Executive Directors' approval for reducing the commitment authority for the ongoing replenishment period by the amount of unreleased set-asides instead of redistributing these set-asides to other countries.

[8] See *IDA Sustainable Development Finance Policy: Proposed Adjustments of the Set-Aside Mechanism,* April 2021

Figure A10. 1. Replenishment Cycle-Neutral Set-Aside Mechanism Framework



12. **Management has the option to harden IDA financing terms when a country severely or repeatedly fails to satisfactorily implement its PPAs or if the existence of other country policies and actions may undermine the original goals of the agreed PPAs.** In particular, repeated unsatisfactory implementation of PPAs which include debt ceilings could lead to a combination of set aside and the hardening of the terms of IDA financing.

13. **Countries with set-asides are subject to special rules for frontloading and reallocations of IDA resources**:

a. ***Frontloading.*** In general, countries subject to a set-aside or discount under the SDFP will not be eligible for frontloading. However, Small States that are subject to a set-aside or discount will be allowed to frontload up to 50 percent of their indicative allocation for the following FY.

b. ***Reallocations.*** Countries with set-asides are not eligible to receive reallocations should additional resources become available as a result of not being used by other IDA-eligible countries. This is also applicable to cases where funds are made available through reallocations from windows to country allocations.

C. PROGRAM FOR CREDITOR OUTREACH

14. **IDA is focused on promoting information sharing, collaboration and deepening dialogue between IDA and other creditors.** Annual plans outlining key activities in this regard will be approved by DFI VP with concurrence of EFI VP and OPCS VP and with advice from the SDFP Committee. The key areas for creditor coordination include:

a. ***Debt and/or Financing Policies.*** IDA engages in dialogue with the IMF, MDBs, and bilateral partners on debt and financing policies.

b. ***Creditor Coordination at Country Level.*** IDA engages at the country level on specific debt-related topics with relevant stakeholders including multilateral, bilateral and private creditors.

c. ***Information Sharing***. IDA promotes information sharing and transparency through publishing country-specific debt data and areas of the approved PPAs for each country on the IDA website as well as through the "Lending to LICs" mailbox.[9]

D. IMPLEMENTATION ARRANGEMENTS

15. **Principles.** The governance arrangements of the SDFP are intended to ensure that the PPAs are: (i) identified by the Regional Vice President (RVP) based on the policy dialogue with the country authorities; (ii) informed by sound diagnostics; (iii) aimed at supporting an ambitious but realistic pathway toward debt sustainability and addressing related challenges; and (iv) consistent with the objectives of the SDFP as approved by the Board and consistent across countries.

16. **Policy dialogue.** Country ownership of PPAs is critical for implementation of the SDFP. Country economists conduct, under the guidance of Country Management Units (CMUs) and in collaboration with other country team members and support from global teams, as necessary, a regular policy dialogue on the SDFP. This is related, among other things, to the objectives of the policy, country PPA coverage, selection, design, and verification of implementation of the PPAs. This dialogue builds on the broader corporate dialogue at the global level on the policy. To the extent possible, this dialogue builds on existing corporate and country-specific communication channels (for example, related to Country Policy and Institutional Assessment (CPIA), DSAs, technical assistance engagements and DPFs) in addition to the SDFP-specific communication channels.

17. **Accountability and Decision Making**. Final decisions on the PPAs and set-asides are taken by the Managing Director of Operations (MDO), upon the recommendation of the RVPs and the concurrence of the respective VPs of DFi, OPCS, and EFI with the advice of the SDFP Committee. The process underlying the formulation of PPAs and assessment of their implementation involves technical global units and country teams. This process includes consultations with the authorities of the country concerned, and, as necessary, advice from the SDFP Committee.[10] The decisions related to various exceptions will generally be taken through the virtual reviews following the same process, unless one of the parties involved requests otherwise.

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[9] Email: *lendingtolics@worldbank.org*

[10] See the PPA Assessment Guidance Note for details.

18. **Oversight by the Board.** The Board is regularly informed of key SDFP-related decisions. Management will inform the Board during the second quarter of each FY about the content of PPAs for IDA-eligible countries, the outcomes of PPA implementation, and its impact on country allocation, after decisions on these issues are made. This information is also disclosed on the IDA Debt website in accordance with the Access to Information Policy.[11] Debt ceilings are disclosed in coordination with the IMF.

[11] Country level information can be assessed through: *Debt | International Development Association - World Bank | International Development Association - World Bank*

ANNEX 11. ENHANCEMENTS TO IDA'S CRISIS TOOLKIT AIMED AT INCENTIVIZING CRISIS PREPAREDNESS

1. **IDA20 will significantly strengthen the incentive framework for countries to enhance their approach to crisis preparedness, by embedding crisis preparedness in core IDA operations through policy dialogue and enhanced incentives to be delivered in three areas (Figure A11.1).** As IDA countries continue to grapple with the COVID-19 pandemic, they face a variety of other threats—such as natural hazards, food insecurity, other disease outbreaks, and economic and financial crises—that could periodically wipe away decades of development gains in the absence of effective risk preparedness and response. This annex summarizes the IDA20 framework for helping clients fortify their preparedness to crises.

A. POLICY COMMITMENTS ON CRISIS PREPAREDNESS

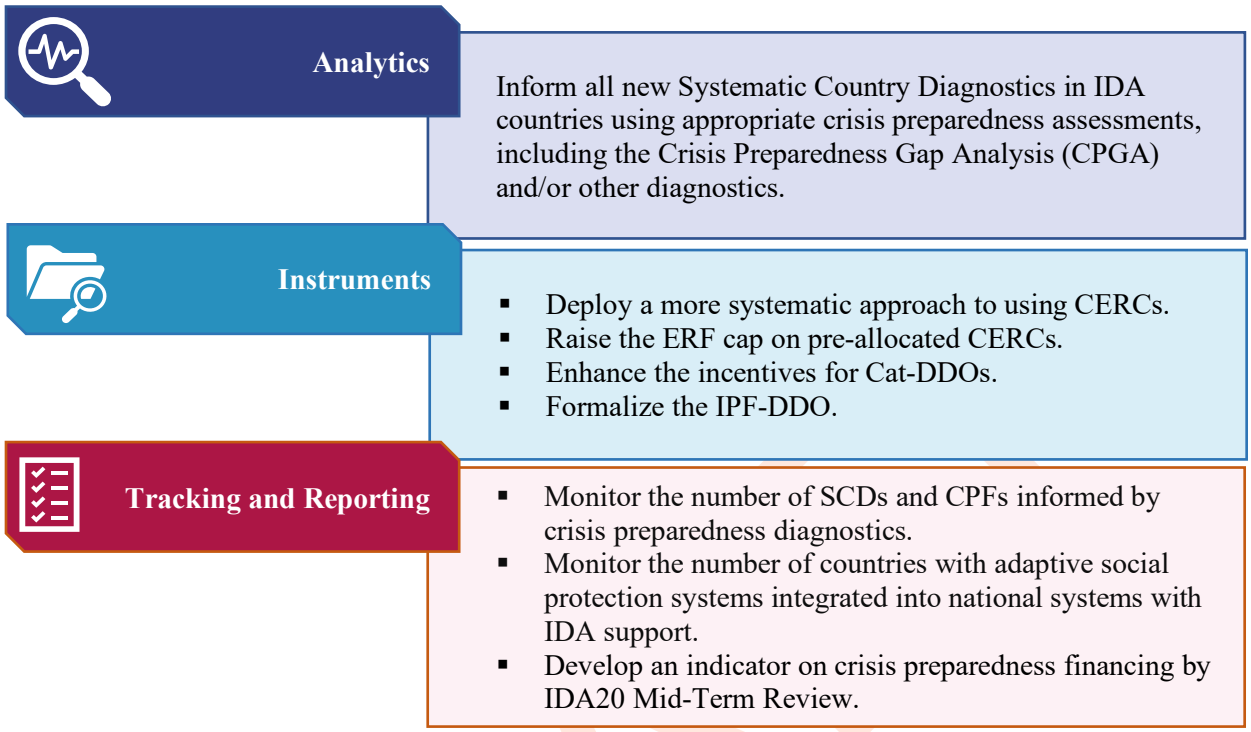
2. **The proposed IDA20 policy framework includes seven policy commitments that span *shock-specific* interventions, as well as *shock-agnostic* investments designed to enhance readiness across various types of crises**. The IDA20 Crisis Preparedness Cross-Cutting Issue will be underpinned by a standalone policy commitment for WBG country programs in all IDA countries to provide technical and financial support to strengthen crisis preparedness. Such support will be informed by appropriate crisis preparedness assessments, such as the Crisis Preparedness Gap Analysis (CPGA) and/or other relevant diagnostic tools. IDA20 also envisions supporting resilience in *shock-specific* areas, such as by strengthening institutional and planning frameworks and/or physical infrastructure in countries facing natural hazards or food insecurity, and by boosting COVID-19 vaccine rollout and bolstering prevention of and preparedness for pandemics through One Health approaches. These will be complemented by *shock-agnostic* efforts, such as by supporting IDA countries in building adaptive social protection systems which can be scaled up during different crises. IDA20 will also support making financial systems more resilient and address transboundary drivers of FCV. Table A11.1 lists the IDA20 policy commitments related to crisis preparedness, and these are discussed further in Section III.B.i. of the main text.

Table A11. 1. IDA20 Policy Commitments related to Crisis Preparedness

Policy Commitments	Placement
Strengthening crisis preparedness: WBG country programs in all IDA countries will provide technical and financial support to strengthen crisis preparedness. Such support will be informed by appropriate crisis preparedness assessments, such as the Crisis Preparedness Gap Analysis (CPGA) and/or other relevant diagnostic tools.	**Crisis Preparedness Cross Cutting Issue** Policy Commitment 1
Boosting COVID-19 vaccination rollout and strengthening pandemic preparedness: Support all IDA countries to strengthen health security and advance inclusive health systems and universal health coverage, including (i) containing the COVID-19 pandemic, through vaccine rollout, testing, treatment and care, and/or (ii) strengthening pandemic preparedness including prevention, detection and response.	**Human Capital Special Theme:** Policy Commitment 1
Expanding adaptive social protection and building resilience to shocks: To ensure inclusive and effective response against shocks and crises, support at least 20 IDA countries' resilience by building adaptive social protection systems, including the use of digital technologies.	**Human Capital Special Theme**: Policy Commitment 4
Supporting prevention of and preparedness for future pandemics: To strengthen health security by improving pandemic preparedness and prevention at the nexus of human, animal, and ecosystem health, including zoonotic diseases and anti-microbial resistance, support at least 20 IDA countries to mainstream One Health approaches.	**Human Capital Special Theme**: Policy Commitment 7
Increasing crisis preparedness and response: Support at least 25 countries (including at least 10 FCS) facing natural hazards or food crises to improve their crisis preparedness and response capacity by strengthening related institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.	**Climate Change Special Theme:** Policy Commitment 8
Supporting resilient financial systems for recovery: Strengthen the resilience, inclusion and depth of the financial system in 15 IDA countries, including 5 IDA FCS, based on Financial Sector Assessment Program (FSAP) or similar financial sector analytics to support a robust and inclusive recovery.	**JET Special Theme:** Policy Commitment 1
Addressing transboundary drivers of FCV and recovering from crisis: Implement regional initiatives in the Sahel, Lake Chad, the Horn of Africa, and Central Asia to help address transboundary drivers of FCV, support transboundary resilience, and/or strengthen regional crisis risk preparedness and mitigation together with key relevant partners. IFC will commit to leverage its local presence to scale up upstream and advisory service activities in these areas, leading to enhanced private sector opportunities.	**FCV Special Theme** Policy Commitment 4

3. **The IDA20 policy commitments on crisis preparedness are based on a multifaceted toolkit that utilizes analytics, financing instruments, and tracking and reporting systems as crisis tools more systematically**. Such an integrated approach is best suited for effectively incentivizing crisis preparedness in a world of increasingly multidimensional and compounding shocks (see Figure A11.1).

Figure A11. 1. Enhancements to IDA's Toolkit by Start of IDA20



4. **The proposals summarized in Figure A11.1 and discussed below are at various stages of design, development and implementation.** Some of these—such as the IPF DDO—will require approval from the IDA Board of Executive Directors ("the Board").

B. ANALYTICS

5. **IDA20 support will be underpinned by strong analytics to enhance clients' understanding of crisis risks, strengthen country ownership of the preparedness agenda and inform subsequent IDA programming.** Such analytics are a crucial foundation as they pave the way for deepening country dialogue, as well as identifying key gaps and priority interventions. IDA already has an expansive suite of core and extended diagnostics that integrate important aspects of crisis preparedness and resilience, including the Country Climate and Development Report (CCDR), the Pandemic Preparedness Diagnostic, the Financial Sector Assessment Program (FSAP) and the Risk and Resilience Assessment (RRA). In addition, IDA will continue to deploy sector-specific analytics to help assess and improve the capacity of client governments to prepare for and manage a range of crises. These include: (a) the *Ready to Respond (R2R) framework* to assess emergency preparedness and response capacity; (b) the *Social Protection Stress Testing Approach* to assess the capacity of existing social protection systems to adapt and expand coverage in the event of shocks; (c) the *Disaster Risk Financing Diagnostic tool* to understand countries' preparedness to deal with the financial and economic impacts of disasters; and (d) the *Post-Disaster Financial Management Review and Engagement Framework* to assess the readiness of countries' Public Financial Management (PFM) systems to deal with disasters, among others.

6. **In IDA20, all new Systematic Country Diagnostics (SCD) for IDA countries will be informed by appropriate crisis preparedness assessments, depending on the country's profile and circumstances.** The choice of assessments may include the forthcoming Country Preparedness Gap Analysis (CPGA*)* and/or other diagnostics as relevant. The CPGA (Box A11.1) will supplement, rather than replace or duplicate, existing shock-specific assessments. In countries where other preparedness-related diagnostic tools have yet to be deployed, the CPGA can serve as an entry point for relevant country teams to conduct further in-depth analyses. Where preparedness-related analytics exist and a CPGA is requested, the CPGA will build on their findings and recommendations. The CPGA's value-added is in offering a holistic, cross-sectoral analysis of key gaps and entry points for strengthening crisis preparedness across different types of shocks. This cross-cutting approach is especially valuable given the increasingly multidimensional and compounding crises that beset IDA countries. Using the CPGA and/or other appropriate crisis preparedness assessment tools to inform all new SCDs in IDA countries can further help identify key "no regret" interventions to strengthen clients' ability to prepare for and respond to crises, particularly on cross-cutting elements of crisis preparedness. For World Bank teams, it can help identify opportunities to strengthen and inform engagement on crisis preparedness. Management will embark on an ambitious implementation of this approach in IDA20, including through rollout of the CPGA and revision of the SCD guidance, as relevant.

Box A11. 1. The Crisis Preparedness Gap Analysis (CPGA)

During the IDA19 Replenishment, Management committed to developing an approach to monitor countries' progress on crisis preparedness, so as to galvanize dialogue on preparedness gaps and inform subsequent IDA programming.[a] The Global Crisis Risk Platform (GCRP) was tasked with leading this effort, and the CPGA was the product of extensive collaboration across operational and technical units across the Bank, as well as with external partners including World Health Organization (WHO) and the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA) among others. It builds on existing shock-specific diagnostics both within the Bank and externally, to provide a cross-sectoral perspective on a country's state of crisis preparedness.

The CPGA focuses on five components that correspond to foundational elements of crisis preparedness that are consistent with the World Bank's mandate. These include (i) legal and institutional foundations; (ii) understanding and monitoring risks; (iii) financial preparedness capacity; (iv) primary response systems; and (v) social and livelihood support to vulnerable populations. These five components aim to assess both *shock-agnostic* elements of preparedness that are relevant for any type of shock (such as the ability to deploy support to vulnerable households through social protection programs) and *shock-specific* elements (such as disease surveillance capacities or disaster early warning systems). The CPGA is meant to identify entry points for targeted support on crisis preparedness—it is not a scoring or ranking of IDA countries, and it does not evaluate a country's past performance nor attempts to predict how a country might fare in the event of a crisis.

[a] World Bank Group, Additions to IDA Resources: Nineteenth Replenishment – Ten Years to 2030: Growth, People, Resilience, pp. 146.

C. INSTRUMENTS

7. **IDA20 will support the use of Contingent Emergency Response Components (CERCs) through a systematic portfolio approach, to boost preparedness and augment capacity for surge response during crises.** CERCs are contingent financing tools that can quickly

channel undisbursed IPF balances toward crisis response. They enhance preparedness by having teams frontload the design of implementation modalities for crisis response, to avoid scrambling in an emergency.

8. **As there remain hurdles to mainstreaming CERCs, IDA will adopt a more systematic, integrated approach.** The hurdles include reluctance to activate CERCs as there are concerns that new funds may not be forthcoming to replenish the financing that is withdrawn from IPF projects for crisis response, as well as insufficient capacity for CERC implementation. IDA will thus adopt a more systematic, integrated approach by the start of IDA20 that: (i) facilitates CERC preparation via standardized templates and updated guidance; (ii) systematizes country dialogue to identify projects best suited for CERC inclusion; (iii) adapts Bank systems and procedures to better support CERC activation and implementation; and (iv) augments training and outreach. CRW resources can also be used to replenish projects whose funds were redirected to crisis response.

9. **Further, Management proposes to raise the ERF cap from $12.5 million to $25 million in IDA20**. This follows feedback from World Bank teams that the current ERF cap on pre-allocated CERCs may be too low to generate client interest.

10. **The incentives to use DPFs with a Catastrophe Deferred Drawdown Option (Cat DDO) will likewise be enhanced, by modifying the co-payment rule for Cat DDOs through a limited use of CRW resources.** The Cat DDO was introduced in IDA18 to augment IDA's crisis response toolkit, deploying a contingent financing line that provides immediate liquidity to countries to help address shocks related to natural disasters and/or health-related events. It has been valuable in promoting crisis preparedness. To qualify, countries must have a satisfactory disaster risk management program or prepare one, and have the contingent financing anchored on an agreed matrix of related policy and institutional reforms. However, some IDA countries may be reluctant to use part of their IDA country allocations for contingent financing even with the incentive under the existing 50-50 co-payment rule.[1] To further incentivize take-up, the co-payment rule for Cat DDOs using IDA country allocations will be modified such that the Cat DDO amount to be covered by IDA country allocations will be reduced from 50 percent currently to at least 25 percent, with a further 25 percent covered using CRW resources, and IDA topping up the remainder of up to 50 percent. In IDA18, 13 Cat DDO operations were approved for a total amount of $530.8 million, of which $265.4 million (50 percent) were covered by clients' IDA country allocations. Assuming clients would use the same amount of IDA country allocations for Cat DDOs as they did in IDA18 (i.e., $265.4 million), the total volume of Cat DDOs in IDA20 would be estimated at around $1.1 billion. This is a conservative estimate using the IDA18 experience as a proxy, IDA18 being the most recent completed three-year cycle of Cat DDO financing.[2] The

[1] Currently, countries which opt to fund their IDA Cat-DDOs with IDA country allocations only need to contribute half the Cat-DDO amount using their country allocations, with the remainder funded by IDA general resources. This copayment rule applies only to Cat-DDOs funded by IDA country allocations, and not to those funded using other options.

[2] The IDA19 data was not used in this case to estimate potential IDA20 demand as the truncated IDA19 cycle is not complete yet. Further, IDA19 is an exceptional period given the COVID-19 crisis which may have impacted Cat DDO utilization.

risk of over-using resources from the CRW will be managed through the Cat DDO country limits[3] as well as the overall Cat DDO portfolio limit of $3 billion, which were introduced in IDA18.

11. **Management also plans to formalize the Investment Project Financing Deferred Drawdown Option (IPF-DDO) within the IPF Policy Framework, as part of an effort to ensure Bank instruments are better fit-for-purpose to meet crisis preparedness and other resilience objectives.** While DDOs have been primarily used in Development Policy Financing (DPF) operations, countries' demand for contingent financing features in IPF operations has increased. IPF operations with a DDO feature could be considered for a broad range of events when a particular risk is identified in advance and the commitment of IPF-DDO financing can strengthen financial resilience to that risk, by ensuring that funding is available for specific expenditures in the event that the risk or shock occurs. Potential uses of such contingent financing include backstopping a national deposit insurance fund against financial sector shocks, stabilizing an energy fund in the event of a weather-induced drop in hydropower generation, and providing contingent liquidity support to national emergency funds. Although IPF operations with a contingent financing feature is available in the current toolkit,[4] the IPF-DDO usage and pricing will be formalized within the IPF Policy Framework to facilitate its use. Policy revisions will be proposed to the Board to formalize the IPF-DDO by the start of IDA20 in July 2022.

D. TRACKING AND REPORTING

12. **Finally, there will be enhanced tracking and reporting of IDA's support for crisis preparedness that demonstrates the degree to which IDA and clients are managing for results.** This will make the scope of this work more visible and allow monitoring of progress over time. The IDA RMS will include indicators that measure the extent to which country strategies embed crisis preparedness considerations, and whether those considerations are leading to relevant results. These cover key plans of an outcome-oriented approach—using evidence about what works and strengthening partner country institutions to achieve high-level outcomes over time. In Tier 3, IDA will track the *number of SCDs and CPFs that were informed by diagnostics on crisis preparedness*. This indicator measures the extent to which rigorous analysis of crisis preparedness has been mainstreamed into the country diagnostics and programming preparation process. In Tier 2, IDA will track the *number of countries integrating adaptive social protection into national systems with IDA support*. While adaptive social protection does not cover all aspects of crisis preparedness, it is directly focused on poverty, is shock-agnostic, and its integration into national systems suggests many other crisis preparedness elements are in place, including crisis risk financing and information systems for targeting vulnerable populations. On tracking and reporting of crisis preparedness financing, Management aims by the IDA20 Mid-Term Review (MTR) to achieve an operational definition, develop an indicator, and determine the scope of operations and instruments that the indicator could cover.

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[3] The country limit is set at a maximum of $250 million or 0.5 percent of GDP, whichever is lower. IDA clients with limits below US$20 million may request a Cat DDO up to a maximum of $20 million.

[4] For example, the Uruguay Drought Events' Impact Mitigation Project (P149069) included such a contingent financing feature, with requisite policy waivers to enable appropriate DDO pricing. The project aimed to enhance the Government of Uruguay's efforts to mitigate the effect of adverse weather conditions on its public sector accounts and to enhance the efficiency of its risk management framework used to mitigate these risks.

ANNEX 12. CONCESSIONAL PARTNER LOANS

1. **This Annex summarizes the final IDA20 Concessional Partner Loans (CPL) framework which maintains the IDA19 CPL framework with the following updates: (a) the addition of new CPL terms with 50-year maturity, and (b) updated reference period for estimating the discount rates for grant element calculation.** The discount rates result based on the average interest rates from the period of March 2021 to August 2021, as well as the illustrative grant element calculation are presented below.

2. Key IDA20 CPL financing terms, as listed below, are proposed to remain similar to the IDA19 framework:

a. ***Maturity**:* 25, 40 or 50 years.

b. ***Grace period**:* The grace period would be 5 years for a 25-year loan or 10 years for a 40-year loan and a 50-year loan.

c. ***Principal repayment**:* Principal repayments of concessional partner loans would begin after the grace period. At that point, a straight-line amortizing repayment schedule would be applied. For 25-year credits, principal would amortize at a rate of 5 percent per annum; for 40-year credits, principal would amortize at a rate of 3.3 percent per annum; for 50-yr loans, principal would be amortized at a rate of 2.5 percent per annum.

d. ***Coupon/Interest**:* IDA concessional partner loans would have an all-in SDR equivalent coupon of up to 1 percent,[1] hereinafter referred to as "maximum coupon rate". Partners have the option to provide additional grant resources to buy down the difference between the maximum coupon rate and the CPL coupon rate if higher. For CPLs where the maximum coupon rate is negative, Partners have the additional option to provide a CPL with a coupon rate of 0 percent in the CPL currency and meet the remaining grant element requirement of the framework by providing a larger volume of CPL.[2]

e. ***Prepayment**:* To ensure IDA's financial sustainability, IDA may prepay the outstanding balance of the CPL, in whole or in part, without penalty after giving no less than 12 months' prior notice.

f. ***Effectiveness*:** Based on the date on which the loan agreement is signed by both parties and upon the provision of the full unqualified amount of a coupon equivalization grant, as applicable.

g. ***Currencies:*** For pledging purposes, IDA would accept concessional loans in SDRs, or any one of the SDR basket currencies, namely the US Dollar, Euro, Japanese Yen, British

[1] The all-in cost may also be achieved by providing additional grants to buy-down the loan coupon rate.

[2] This implies a higher coupon rate than the maximum coupon rate in the CPL currency. Fair treatment across Partners will be ensured by using the actual coupon rate of the CPL to calculate the loan's grant element to determine voting rights and compliance with the minimum grant equivalent contribution benchmark.

Pound and Chinese Renminbi. Subsequent to pledging, Partners may also request a conversion to eligible non-SDR currencies based on criteria agreed.

h. ***Drawdown:*** The concessional loans would be drawn-down in three equal annual installments over the IDA20 3-year period. Management may agree on a different draw-down schedule with the loan providers as it deems necessary.

3. **Grant Contribution:** Partners providing concessional partner loans in IDA20 are expected to provide basic grant contributions equal to at least 80 percent of the Minimum Grant Contribution Benchmark and target the total Grant Equivalent Contribution (which include basic contribution from grant and grant element of CPLs) to at least their Minimum Grant Contribution Benchmark. Partners could select their preferred Minimum Grant Contribution Benchmark as 100 percent of their total Grant Equivalent Contribution based on IDA18 or IDA19, as the Partner prefers. The Minimum Grant Contribution Benchmark could also be based on the Currency of Pledge, National Currency or SDR amounts, as the Partner prefers.

4. **Grant Element**: As in IDA19, upon receipt of the concessional funding from IDA Partners, the grant element of the CPLs (which reflect the concessionality of the CPL coupon relative to the discount rate) will be recognized for voting rights and burden share purposes. The grant element is a function of the terms of a loan. The terms of the loan determine the cash inflows and outflows related to the loan and the grant element is effectively the ratio of the present value of the debt service to the present value of the loan disbursements, which can be expressed with the formula below:

$$1 - \frac{\sum_{i=1}^{m}(DF_i \times CFS_i)}{\sum_{j=1}^{n}(DF_j \times CFD_j)}$$

Where:
DF_i = Discount factor at period i, calculated using the discount rate of CPL framework
CFS_i = Cash flow from debt service at period i
DF_j = Discount factor at period j, calculated using the discount rate of CPL framework
CFD_j = Cash flow from loan disbursement at period j
m = the maturity of the CPL
n = the drawdown period of the CPL

5. **Discount rate:** Following the IDA19 Framework, the discount rate used to calculate the grant element is based on IDA's projected funding cost in the market and translated into the currencies of the SDR basket. As proposed, the discount rates are estimated using the average monthly interest rates from the period of March 2021 to August 2021.

Table A12. 1. IDA20 Discount Rates

	IDA20 Discount Rates (%)		
	25-year CPL	**40-year CPL**	**50-year CPL**
USD	2.11	2.53	2.59
EUR	0.48	0.85	0.87
JPY	0.06	0.41	0.49

Table A12.1 *continued*

	IDA20 Discount Rates (%)		
	25-year CPL	**40-year CPL**	**50-year CPL**
GBP	1.30	1.54	1.56
CNY	2.52	2.98	3.03
SDR	1.41	1.79	1.84

6. **Maximum coupon rates**: Similar to IDA19, the coupon rate for the IDA20 CPLs would be subject to a maximum coupon rate of 1 percent in SDR. The equivalent maximum coupon rate for each currency is based on the principle that the grant element generated on CPLs in different currencies will be equivalent. For example, as shown in the Table A12.2 below, a 1 percent SDR 25-year maturity loan will have the same grant element of 5.14 percent as a USD CPL with a coupon of 1.67 percent; a EUR CPL with a coupon of 0.10 percent; a JPY CPL with a coupon of -0.30 percent; a GBP CPL with a coupon of 0.89 percent; or a CNY CPL with a coupon of 2.06 percent.

Table A12. 2. IDA20 Maximum Coupon Rates and Corresponding Grant Element

	IDA20 Maximum Coupon Rates (%)		
	25-year CPL	**40-year CPL**	**50-year CPL**
USD	1.67	1.66	1.65
EUR	0.10	0.15	0.15
JPY	-0.30	-0.25	-0.19
GBP	0.89	0.78	0.76
CNY	2.06	2.06	2.03
SDR	1.00	1.00	1.00
Grant Element	5.14	15.01	18.18

7. **Implications of coupon rate lower or higher than maximum coupon rate:**

a. As in IDA19, if a Partner provides a CPL with a coupon lower than the maximum coupon rate in a given currency, it will benefit from a larger grant element compared to providing a loan at the maximum coupon. For example, a 25-year CPL with a coupon of 0 percent in SDR would generate a grant element of 17.83 percent as opposed to a 1 percent SDR coupon generating grant element of 5.14 percent.

b. As in IDA19, if a Partner would like to provide a CPL with a coupon rate higher than the Maximum Coupon Rate but lower than the Discount Rate[3] in a given currency, the Partner would be required to compensate for the difference through additional grants to "buy-down" the terms of the CPL to the level of the maximum coupon rate.

[3] Coupon rates cannot exceed the discount rate in a given currency otherwise the CPL doesn't generate a grant element.

c. If a Partner makes this additional grant payment up front, the required payment amount will be calculated based on the present value of the difference in future cash flows between the original coupon payments and the targeted coupon payments. The same discount rate in the CPL framework will be used in the present value calculation. The Partner can make the additional grant payment over several installments only if the CPL has the same disbursement schedule (which has a maximum period of 3-year) and if the present value of the additional grant payments is the same as if paying upfront. Table A12.3 illustrates the additional grant payments required for a buydown of 100bps to meet the maximum coupon rate in a given currency.

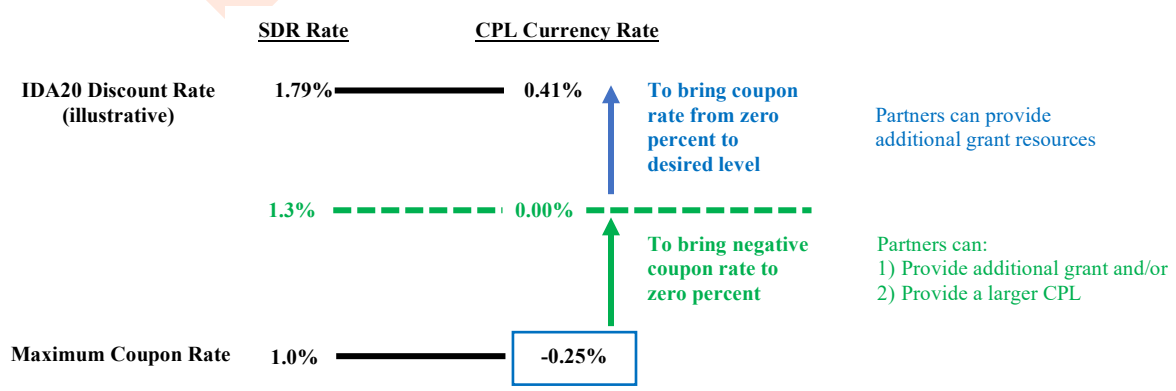
Table A12. 3. Additional Grant Payments Required for a Buydown of 100bps to Meet the Maximum Coupon Rate

Additional grant required upfront in the loan currency for every 1,000 million CPL

Currency	25-year CPL	40-year CPL	50-year CPL
USD	120	176	197
EUR	136	215	253
JPY	142	228	268
GBP	127	199	229
CNY	116	167	186
SDR	127	192	219

d. As in IDA18 and IDA19, if the Maximum Coupon Rate for a particular currency is negative, in addition to the option above (i.e., having a higher CPL coupon rate and making up for the difference in resulting grant element through a "buydown" grant), CPL providers would have the additional option of providing a CPL with zero percent coupon rate and making up for the difference in resulting grant element through a larger CPL. In such a scenario, a zero coupon would mean that the CPL coupon rate would be higher than the maximum 1 percent SDR-equivalent rate. Fair treatment across Partners will be ensured by using the 0 percent coupon rate of the CPL to calculate the loan's grant element to determine voting rights and compliance with the minimum grant contribution benchmark (aka, "80/20 rule"). See illustration in the Figure A12.1 below:

Figure A12. 1. Illustrative Example of how to Bridge the Difference Between the Maximum Coupon Rate and the CPL Coupon Rate if Higher



8. **Consistent with previous replenishments, IDA requires that Partners provide their Instruments of Commitment before IDA can sign a CPL agreement with the Partner country.** This requirement is to enhance the fairness between CPL providers and grant providers, where Instruments of Commitment are required before the grant payment can be received. In addition, in case a Partner plans to provide additional grant resources to lower the coupon rate on the CPL, IDA would require the payment of the additional grant by the Partner as a prerequisite for IDA to accept the disbursement from the CPL. This is to protect IDA from paying a high borrowing cost on CPL without receiving the related grant payment that ensures the required concessionality.

9. **Flexibility to provide CPLs in non-SDR currencies:** Partners will have some flexibility to provide CPLs in non-SDR currencies while ensuring financial and risk neutrality to IDA by using market instruments and ensuring fair and equal treatment among Partners.

10. **To ensure financial and risk neutrality to IDA, Partners who would like to include a CPL in its pledges will continue to be required to pledge the CPL in one of the SDR currencies,** with grant element calculated based on the published discount rates for the specific SDR currency, as per the current process. Partners have the option to convert the loan[4] into an eligible non-SDR currency upon signature of the loan agreement.

11. **The conversion option will be allowed only for currencies that the World Bank Treasury is able to hedge through the market for the full maturity of the loan (25 or 40 or 50 years).** The eligible currencies[5,6] for IDA20 based on this criterion are Australia Dollars (AUD), Canadian Dollars (CAD), Swiss franc (CHF), Swedish krona (SEK) and South African Rand (ZAR). CPL agreement for the eligible currencies will include additional legal provisions to enable market-based conversions, applicable market clause and the flexibility offered in terms of size and timing in effecting conversion.

12. **The terms of such conversions (amount and coupon rate in the selected non-SDR currency) will be based on the hedge IDA can execute at prevailing market rates at the time of conversion with the applicable transaction fees.**[7] The market conversions will be offered in a manner that ensures that they don't entail additional financial risks to IDA, including the excessive income volatility.

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4 Or a portion of the loan

5 The final eligibility of CPL in non-SDR currencies would be subject to the market availability when the conversion is to be requested.

6 Given the limited liquidity of the CNY market in long tenors, any conversion from a CPL in CNY into another currency would be subject to the market availability.

7 Transaction fees will be aligned with the WB's methodology for calculating transaction fees to cover for overhead and market counterparty risk.

ANNEX 13. DOCUMENTS PROVIDED FOR THE IDA20 REPLENISHMENT

April 14 to 15, 2021 – Virtual Meeting

1. IDA19 Implementation of Policy Commitments and Results Update (March 23, 2021)
2. IDA19 Mid-Term Review: Graduation Prospects for IDA Countries (March 29, 2021, updated and published on November 1, 2021)
3. IDA19 Implementation and Adjustments (March 29, 2021)
4. Note on the Proposed Enhanced PBA Top-up (Replacing COVID-19 CRW) for FY22
5. Roadmap for the Advance IDA20 Replenishment
6. IDA20 Proposed Strategic Directions (March 23, 2021)
7. SDFP: Proposed Adjustment to the Set-Aside Mechanism (March 23, 2021)
8. IDA Balance Sheet Optimization (March 31, 2021)*
9. Foreign Exchange Period for the IDA20 Replenishment (March 30, 2021)

June 28 to 30, 2021 – Virtual Meeting

1. IDA20: An Overview – Building Back Better from the Crisis: Towards a Green, Resilient, and Inclusive Future (June 11, 2021)
2. Cross-Cutting Issues in IDA20 (June 11, 2021)
3. IDA20 Special Theme: Human Capital (June 11, 2021)
4. IDA20 Special Theme: Climate Change (June 11, 2021)
5. IDA20 Special Theme: Gender and Development (June 11, 2021)
6. IDA20 Special Theme: Fragility, Conflict and Violence (June 11, 2021)
7. IDA20 Special Theme: Jobs and Economic Transformation (June 11, 2021)
8. The IDA20 Results Measurement System (June 11, 2021)
9. IDA20 Ask Paper: Demand, Architecture, and Scenarios (June 11, 2021)
10. IDA20 Financing Framework* (June 11, 2021)
11. Shareholder SDR Allocations: Potential Options for Increasing IDA's Financing Capacity (July 2, 2021)*

October 20 to 22, 2021 – Virtual Meeting

1. The Structural Gap and Reported Burden Share (September 13, 2021)*
2. Local Currency Financing Solutions for IDA Countries (September 13, 2021)*
3. Review of the Capital Adequacy Framework of IDA (September 13, 2021)*
4. IDA19 Mid-Term Review of the Operationalization of the Fragility, Conflict and Violence Envelope (September 23, 2021)
5. IDA19 Mid-Term Review of the Crisis Response Window Early Response Financing (September 23, 2021)
6. Sustainable Development Finance Policy of the International Development Association: Implementation Update (September 23, 2021)
7. IDA19 Mid-Term Review of the IDA Refugee Policy (September 23, 2021)
8. Draft IDA20 Deputies Report (October 2, 2021)
9. Operational and Financing Framework (October 2, 2021)*
10. Review of IDA Capital Value Protection Program (September 17, 2021)*
11. IDA19 Implementation Review (October 9, 2021)

* These papers were not publicly disclosed as per the World Bank's Access to Information Policy which excludes disclosure of papers that contain confidential financial projections

ANNEX 14. IDA20 MID-TERM REVIEW DELIVERABLES

The following list outlines deliverables Management has agreed to provide at the IDA20 Mid-Term Review.[1]

1. *IDA20 implementation update*, including progress and utilization of all IDA windows, hereunder the *Private Sector Window*, and FCV Envelope as well as proposal on guiding principles for a sustainable approach to *FCV Envelope* phase-out

2. Implementation review of the *Sustainable Development Finance Policy*

3. Review of the use of *Shorter Maturity Loans*

4. Define and develop IDA's contribution to the equality of opportunity for *sexual and gender minorities* (LGBTI) agenda

5. Complete a pilot on fully-hedged *local currency financing*

6. Present an operational definition of *crisis preparedness*, develop an indicator, and determine the scope of operations and instruments that the indicator could cover

[1] Management also agreed to provide an update on the IDA long-dated bond program at the Annual Meetings in 2022.

ANNEX 15. DRAFT IDA20 RESOLUTION

(Placeholder)