IDA18 Retrospective - Executive Summary

Investing in Growth, Resilience, and Opportunity through Innovation
Executive Summary

The landmark 18th Replenishment of the International Development Association (IDA18) featured significant innovation, substantial delivery, and flexibility to respond to urgent country needs, including COVID-19 (figure ES.1), IDA18’s financing package represented a 42 percent increase in delivery relative to IDA17, and IDA18 comprised 50 percent of all World Bank financing during the period. IDA18 was also characterized by leverage, with overall resources tripling donor contributions and IDA funds mobilizing approximately six times as much in private investment finance (including from International Finance Corporation [IFC] and Multilateral Investment Guarantee Agency [MIGA]). IDA18 succeeded in providing targeted financing to meet the needs of the most vulnerable, including 64 percent of overall financing committed to the Africa region. Compared to IDA17, fragile and conflict-affected situations (FCS) received more than double the financing volume, and Small States received nearly triple. Finally, greater attention to resilience and preparedness, as well as flexibility to reallocate original resource allocations, helped position IDA18 to rapidly address the COVID-19 pandemic that emerged in the final months of IDA18. During the fourth quarter of fiscal year 2020, IDA18 provided about US$6.4 billion for a coordinated and rapid response to COVID-19, which caused enormous set-backs in IDA countries.

Paradigm shifts in IDA18 signaled a significant and historic change for IDA. The replenishment, reflecting a commitment to the 2030 development agenda and the World Bank Group (WBG) twin goals of poverty reduction and shared prosperity, signified a step change for IDA. It included paradigm shifts related to its financing model, replenishment process, and target recipients. First, financial innovation was a key feature of IDA18. For the first time, IDA mobilized funding and leveraged IDA’s equity through tapping bond markets, a major shift in how a concessional window operates. With donor contributions remaining essential to support IDA’s core concessional nature, the hybrid model enabled a significant scale-up of financial resources in IDA18 as well as for future replenishments via more efficient leveraging of donor contributions. IDA18 replenishment was followed by a set of transformative measures as part of Capital Increase Package to strengthen the capacity of WBG institutions, including increased support for IDA countries. Second, IDA18 increased focus on the humanitarian-development nexus and bolstered support for clients experiencing diverse situations of fragility, including by providing financial support to help countries hosting large numbers of refugees. The increased financing envelope enabled by the leveraged financial model contributed to a substantial increase in country allocations to FCS. Third, IDA18 introduced an innovative mechanism to mitigate risks and catalyze private investment, the first for a multilateral development bank, with a focus on increasing investment in the most fragile countries. As such, IDA has evolved in its role, directly taking private sector risks to catalyze private investments. Increased client representation within the expanding coalition of donors and clients—together with the addition of an external co-chair—not only augmented inclusiveness and transparency but also helped drive IDA18’s paradigm shifts and influence key features of the replenishment, such as the Special Themes. The overall number of donors, including a growing number of WBG clients, also increased in IDA18.

IDA18 met all policy commitments related to its Special Themes, influencing IDA programs and increasing impact. IDA18 Special Themes built on the three themes of previous replenishments and introduced two new themes to support continued focus on policies and key issues critical for development in IDA countries. The multisectoral nature and important interlinkages across the Special Themes served to drive impact, and implementation was enhanced through key partnerships.

Jobs and Economic Transformation (JET)
This theme was a crucial addition to IDA18, deploying analytics and data aimed at boosting economic transformation and deepening job creation.

Gender and Development
IDA18 continued its focus on closing gender gaps, including by supporting quality reproductive health services, improved educational outcomes, and women’s employment, while also addressing frontier issues such as preventing gender-based violence and sexual exploitation and abuse.

Climate Change
IDA18 deepened support for climate mainstreaming, with a significant increase in climate co-benefits, including through sustainable land use, clean and sustainable energy access to all, and climate and disaster risk management.

Fragility, Conflict and Violence (FCV)
IDA18 ramped up its support to address FCV issues through a differentiated approach which supports various situations of fragility before, during, and after conflict, with a focus on analytics such as Risk and Resilience Assessments (RSAs).

Governance and Institutions (G&I)
Introduced in IDA18, G&I supported client countries to build open, effective, and accountable institutions including through support for domestic resource mobilization, debt management and citizen engagement, and also bolstered pandemic and emergency preparedness.
Dedicated Windows address targeted development needs to complement country allocations. IDA18 included five Windows, including expansion of two longstanding Windows and introduction of two new ones:

- **Regional Window (RW)** — The scaled-up RW continued as an effective mechanism to support multi-country projects, regional public goods, and regional integration, with a significant focus on Africa and FCS.

- **Crisis Response Window (CRW)** — The CRW continued to evolve in IDA18 to provide critical support to address some of the most devastating crises in IDA countries, including natural catastrophes and the COVID-19 pandemic.

- **Regional Sub-Window for Refugees and Host Communities (RSW)** — The new RSW emphasized long-term development considerations and a “whole-of-government” approach to support both refugees and host communities during a time of increased displacement.

- **Private Sector Window (PSW)** — The PSW was a major innovation introduced in IDA18 featuring a risk mitigation mechanism to tap IDA-IFC-MIGA synergies to leverage private finance for development, most notably in the most challenging and fragile IDA countries.

- **Arrears Clearance** — Arrears clearances continue to facilitate progress in countries emerging from difficult circumstances. IDA18 supported Somalia which reached arrears clearance status following significant IDA and bilateral donor support.

Dedicated financing also supported two mechanisms providing non-concessional lending. IDA18 provided resources on IBRD lending terms for Transitional Support to Bolivia, Sri Lanka, and Vietnam on an exceptional basis to smooth their transition to IBRD after graduation from IDA at the end of IDA17. The Scale-up Facility (SUF) provided support to IDA countries to complement their country allocations with non-concessional financing for transformational initiatives with high expected returns on investment and development impact.

IDA18 supported strong results under the overarching theme of Growth, Resilience and Opportunity, with a strong emphasis on FCS and the unforeseen COVID-19 crisis. Significant results related to Growth were seen in improved agricultural technologies, increased renewable energy generation capacity, access to financial services, roads constructed or rehabilitated, hectares of irrigation and drainage services, and private investment catalyzed. Results related to Inclusiveness continued to focus on health and education—such as teachers trained, health, nutrition, population services, social safety net programs—as well as financing for infrastructure services such as access to water sources and improved sanitation services and urban living conditions. Sustainability and resilience results included ensuring significant fuel and energy savings and greenhouse gas emissions reductions as well as bolstering public sector capacity and service delivery, including disaster risk reduction, tax collection, statistical capacity, and government transparency. Tracking and achieving results in FCS were a key feature of IDA18, as in IDA17. Indicators across several areas improved—including agriculture technology, financial services, irrigation service, social safety net programs, sanitation services, electricity services, and job-focused interventions—revealing significant results for beneficiaries in FCS during IDA18.
the short timeframe since approval, encouraging results are also emerging from IDA18’s COVID-19 response operations, including by supporting public-awareness campaigns, laboratory testing and treatment centers. IDA18 exceeded performance standards in several areas during the replenishment period.

**IDA18’s record delivery included shifts in the use of financial instruments to support policy reform and results, as well as significant knowledge generation and dissemination.** IDA18’s scale-up in resources translated into record delivery of US$76.4 billion (US$77.7 billion including PSW). IDA18 featured an overall scale-up of Development Policy Financing (DPF) and Performance Results (PforR) financing, reflecting increased focus on policy and results. It also introduced the Catastrophe Deferred Drawdown Option (CAT-DDO) to strengthen a country’s disaster risk management capability through policy reforms and to enhance preparedness and responsiveness to disasters, including those related to climate as well as health. The IDA18 period saw a significant spike in grants, partly offset by a modest increase in blend credits and a decrease in guarantees. IDA18 delivered a broad portfolio of knowledge products at the institutional, regional, and sub-regional levels, with notable flagship products—such as the FCV Strategy and the WBG Gender Strategy—setting institutional direction and underpinning policies and operations. These knowledge products were complemented by data collection and evaluations to inform operations, as well as country-level analytical reports, policy notes, advice, and training. These inputs support country dialogue, underpin the design of country programs and operations, strengthen institutions, build capacity, and inform policies.

IDA18 achieved strong disbursement levels, increased field presence, and solid portfolio and financial performance. With significant increase in commitments, the size of IDA’s active portfolio increased considerably over IDA18. Despite these increases, disbursement ratios were largely stable and broadly in line with IDA17 levels, suggesting continued strong client absorptive capacity. In addition, one of the significant changes in IDA18 was a growing field presence, particularly in FCS; projects implemented in FCS demonstrated solid performance as IDA strengthened its operational modalities and increased its field presence in these countries. Finally, IDA18 portfolio and financial performance exceeded Results Measurement System (RMS) performance standards along most dimensions.

IDA18 experience yielded valuable lessons related to IDA’s focus, flexibility, and complementarity with other development partners, successfully setting the stage for IDA19. IDA18 included significant innovation, including the new hybrid financial model and new Windows and Special Themes. The hybrid financial model brought IDA into the capital market, where it is a relatively new player with investors and rating agencies, underscoring the need for careful management through its financial and risk policy and capital adequacy frameworks. The experience with Special Themes pointed to the need for continuity that transcends replenishment cycles, and the interlinkages across Special Themes have been key to increasing their impact. The new IDA18 Windows presented some initial challenges, pointing to the need for improved rollout planning for any new future Windows. IDA18 also demonstrated its ability to adapt to and address unforeseen events, relying on its ability to flexibly reallocate resources through due process. This allowed IDA to address emerging needs and fully use the envelope within the three-year period. IDA18 also pointed to the critical role of partnerships, enabling IDA to work in complementary fashion with partners, which proved particularly important as IDA has moved more assertively into supporting FCS, forced displacement, and crisis and disaster response. Based on IDA18 experience, IDA19 increased the share of country allocations, consolidated the FCV-related allocations with the FCV envelope; added cross-cutting themes to further enhance IDA’s policy package; and maintained the number of Windows and fine-tuned existing Windows. Finally, IDA19 introduced the Sustainable Development Finance Policy (SDFP), which brought debt vulnerability to the forefront of policy dialogue with IDA-eligible countries.

**IDA18 innovations will have a longstanding legacy, providing direction for future replenishments.** The IDA18 financial model will have a lasting impact on IDA’s ability to significantly scale up resources for future replenishments. Scaling up of resources has been critical to increase IDA’s impact and to respond to COVID-19. The innovation of the PSW to leverage IDA funding to mobilize private resources has had a considerable demonstration effect, opening investment opportunities in some of the most challenging markets and increasing external financing. Focus on FCV has positioned IDA as a key partner in supporting countries with the greatest challenges and the greatest needs. With the pandemic becoming widespread in the final months of IDA18, and continuing into IDA19, IDA countries will need to redouble efforts to recover after suffering COVID-19-related setbacks. IDA countries are indicating the need for strong support from the international community, and IDA is called upon to play an even greater role. IDA countries will need to continue focusing on achieving long-term development goals and tapping opportunities to build back better through green, resilient, and sustainable recovery.

**Endnotes**

1. FCS in this report refers to the WBG Harmonized List of Fragile Situations. IDA-eligible countries classified as FCS are referred to as IDA FCS. FCV refers to the challenge of fragility, conflict and violence regardless of classification as FCS. Small States in this report refers to the 21 IDA-eligible Small States with population of 1.5 million or fewer as of end-FY20.

2. The difference between the financing envelope of US$75 billion and the delivery of US$77.7 billion is due to exchange rate variations and recommitments of previous IDA resources.
Figure ES.1. IDA18 Retrospective at a Glance

IDA financial support has considerably increased as a share of total World Bank lending, especially in IDA18...

...and across IDA cycles, particularly from IDA17 to IDA18. IDA18 substantially increased the leverage of donor contributions...

...and for the first time, mobilised capital by taking private sector risk. IDA responded rapidly to COVID-19 toward the end of IDA18.
Africa accounted for almost two-thirds of total IDA18 financing.

Compared to IDA17, support to FCS more than doubled...

...and support to Small States almost tripled.

IDA18 emphasized scaling-up of field staff in FCS.

IDA18 increased disbursements and sustained its disbursement ratio which, accompanied by scaled-up commitments, suggests improved absorptive capacity.