Public Disclosure Authorized

Special Themes for IDA17

IDA Resource Mobilization Department
Concessional Finance and Global Partnerships

June 2013

Fiscal year (FY)

July 1 to June 30

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
AGI	Adolescent Girls Initiative
BRT	Bus Rapid Transit
CAR	Central Africa Republic
CAS	Country Assistance Strategy
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CCT	Conditional Cash Transfer
CEDAW	Committee on the Elimination of Discrimination Against Women
CEM	Country Economic Memorandum
CFL	Compact Fluorescent Lamp
CIF	Climate Investment Fund
CPIA	Country Policy and Institutional Assessment
CPR	Country Performance Rating
CPS	Country Partnership Strategy
CRW	Crisis Response Window
CSI	Core Sector Indicator
CSO	Civil Society Organization
DPO	Development Policy Operation
DRC	Democratic Republic of Congo
EAP	East Asia and Pacific Region
EI	Extractive Industries
EITI	Extractive Industries Transparency Initiative
ERL	Emergency Recovery Loan
FCPF	Forest Carbon Partnership Facility
FCS	Fragile and Conflict-affected State
FINDEX	Financial Inclusion Database
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFDRR	Global Facility for Disaster Reduction and Recovery
GHG	Greenhouse Gases
GNI	Gross National Income
HDN	Human Development Network
IBRD	International Bank for Reconstruction and Development
ID	International Dialogue
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ISN	Interim Strategy Note
JBP	Joint Business Plan

LCR	Latin America and Caribbean region
LCS	Low Carbon Studies
LEDS	Low Emissions Development Strategy
LIC	Low-Income Country
LICUS	Low Income Countries under Stress
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
MRV	Monitoring, Review and Verification
MSMEs	Micro, Small and Medium Enterprises
MTR	Mid-Term Review
NAMA	Nationally Appropriate Mitigation Actions
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OP	Operational Policy
PBA	Performance-Based Allocation
PC	Post-Conflict
PCPI	Post-Conflict Performance Indicator
PFM	Public Financial Management
PI	Performance Index
PNG	Papua New Guinea
PPCR	Pilot Program for Climate Resilience
PREM	Poverty Reduction and Economic Management
PRMGE	PREM Gender and Development Group
QUIBB	Questionnaire Des indicateurs Base Du Bien-Etre
RE	Re-Engaging
RGAP	Regional Gender Action Plan
RMS	Results Measurement System
SDN	Sustainable Development Network
SDR	Special Drawing Right
SE4ALL	Sustainable Energy for All
SHS	Solar Home Systems
TF	Trust Fund
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
WBG	World Bank Group
WBI	World Bank Institute
WDR	World Development Report
WGIG	Working Group on Inclusive Growth

TABLE OF CONTENTS

Annexes

Boxes

Figures

Tables:

EXECUTIVE SUMMARY

i. **In recent IDA replenishments, "special themes" have served to focus IDA's work on frontier issues of strategic importance for IDA countries.** Attention to special themes has helped to promote focused analysis and policy discussion on these frontier issues to better integrate them into Bank's operations. At the first IDA17 replenishment meeting on March 20-21, 2013, Participants agreed on the overarching theme of "maximizing development impact" for IDA17 with a view to take IDA's work on results to the next level. In addition, Participants agreed to carry forward the IDA16 special themes of gender, climate change and fragile and conflict-affected states (FCSs), where there is still an unfinished agenda; and to introduce the new special theme of inclusive growth.

ii. **This paper discusses the IDA17 special themes within the evolving external context and the World Bank Group (WBG)'s twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner**. In the context of rapidly growing trade and investment flows to developing countries, many IDA countries have posted high growth rates and achieved significant poverty reduction over the past decade. Thanks to these positive developments, ending poverty within a generation is possible, but will require deliberate efforts to tap new opportunities and address evolving challenges and risks. IDA countries will need to maintain the growth momentum, including by building stronger public institutions and promoting private sector development through investments in infrastructure, human development and agricultural productivity. In addition, there is a need to more effectively tackle the challenges of FCSs, which account for an increasing share of the world's extreme poor; to address rising inequality whereby disadvantaged groups (such as women, youth, disabled) are being left behind and manage the impact of climate change (from severe droughts in Africa's Sahel and the Horn of Africa to floods in East Asia and the Pacific and South Asia), which threaten to erode recent development gains and delay progress.

iii. **IDA17's focus on "maximizing development impact" and the four special themes will enhance IDA's ability to respond to the evolving agenda confronting IDA countries**. In IDA17, IDA's role as a provider of catalytic finance and knowledge services to country clients will be enhanced through more deliberate leveraging of private and public resources as well as global knowledge to maximize impact and development results. On this basis, IDA will strive to deliver more effective support to IDA countries including along the special themes. While these themes are mutually reinforcing and collectively address critical bottlenecks to the development process in IDA countries, they are treated separately in this paper for the purpose of focusing the discussion and identifying monitorable actions to track IDA performance during IDA17.

iv. **Management has identified a set of proposed monitorable actions for implementation in IDA17, for consideration by the IDA Deputies**. These actions also include modifications to IDA's Results Measurement System (RMS) aimed at better capturing progress under the special themes. The sections below summarize the thrust of IDA's interventions and specific proposed commitments under each of the themes.

v. **Inclusive Growth.** The special theme of inclusive growth speaks to the need to maintain the growth momentum in IDA countries while ensuring that the opportunities and benefits of growth are broadly distributed throughout the population, including the poorest and most disadvantaged groups. Inclusive growth involves a broad agenda of improving incentives, resources and opportunities for investments in income-enhancing activities. Given the broad scope of inclusive growth and the need to have country-specific diagnostics to guide policy interventions, IDA will help build the knowledge base and tools for understanding the country specific constraints to inclusive growth and devote special attention to three important channels for inclusive growth: (1) job creation; (2) financial inclusion; and (3) natural resource wealth. Specifically, Management proposes to focus IDA's work on: making the WBG goals central to country dialogue; building capacity to collect data to identify and prioritize the main constraints to inclusive growth and related policy options; and fostering good governance of natural resource wealth, when applicable. The monitorable actions proposed by Management are the following:

- all IDA country strategies aligned with the goals of ending extreme poverty and promoting shared prosperity (with a focus on the income of the bottom 40 percent of the population);
- improve the accessibility and documentation of under-utilized surveys and, working with the International Labour Organization and country partners, improve the systematic collection of data on individuals and enterprises from household surveys and business surveys and censuses, which can help guide policy makers' priorities for economic growth with shared prosperity;
- develop a jobs-focused diagnostic tool (integrating available country-produced microeconomic data), pilot it in 6-8 countries and disseminate it;
- expand coverage of the Global Financial Inclusion Database (Global FINDEX) for IDA countries;
- analyze the growing pool of Extractive Industries (EI) data (licensing, contracts, production, revenues, spending, corporate impact, quality of service delivery) that complements commodities data, and make it available to inform policy formulation and public debate; and
- promote coordination and complementarity between IDA, IBRD, IFC and MIGA in support for the adoption of best practices in EI management.

vi. In addition, the IDA RMS will include new indicators to track progress under inclusive growth. Tier 1: income of the bottom 40 percent of the population, gender-disaggregated employment to population ratio, gender-disaggregated bank accounts per 1,000 adults, and gross capital formation, the number of EITI compliant countries and the level of statistical capacity of IDA countries. Tier 2: countries supported on strengthening national statistical systems, countries with strengthened public financial management systems in tax policy and administration and private capital mobilized by IDA operations. Tier 3: proportion of IDA country strategies aligned with the WBG goals. Efforts to promote gender equality, a key dimension in the inclusive growth agenda, are addressed in the section below under the special theme of gender.

vii. **Gender.** While IDA countries are making progress in gender equality, e.g., on education enrollment, more needs to be done particularly on MDG 5 (maternal mortality) and women's economic empowerment. Building on the progress made in IDA16, Management will raise the bar on gender integration in IDA's work at the country, regional and corporate levels, with a special focus on the economic sectors which have been lagging and yet are particularly important for women' economic empowerment. IDA will also strengthen efforts to integrate the gender perspective in IDA's support to FCSs (see below). The monitorable actions proposed by Management are as follows:

- all IDA country strategies will draw on and discuss the findings of a gender assessment; and at least two thirds will have highly satisfactory integration of gender, by integrating gender considerations into the analysis, content of the program and the results frameworks;
- deepen integration of gender into lending operations so that at least two-thirds of IDA operations have gender informed analysis and follow up;
- all regions implement and monitor Regional Gender Action Plans;
- strengthen knowledge of what does and does not work in IDA countries through monitoring and evaluation, including impact evaluations on gender related issues, tracking of gender results of IDA operations using sex-disaggregated core sector indicators and expanded use of beneficiary feedback mechanisms; and
- roll out statistical activities to increase sex-disaggregated data and gender statistical capacity in at least 15 IDA countries.

viii. The RMS will include new gender-related indicators. Tier 1: gender disaggregated data for two indicators (see above, employment to population ratio and bank accounts per 1,000 adults), and contraceptive prevalence for women aged 15-49 years. Tier 3: proportion IDA country strategies that draw on and discuss the findings of a gender assessment; proportion of IDA country strategies that incorporate gender considerations into the analysis, content of the program and the results framework; and proportion of IDA operations that have gender informed analysis and follow up.

ix. **Climate Change**. There is an urgent need and increasing demand from IDA countries to reduce the vulnerability of people, their assets and livelihoods to climate related risks. The coming decade provides an opportunity for IDA countries to develop in a way that fully integrates the risks of climate change and natural hazards. It is estimated that enhancing the resilience of investments in IDA countries will add about 25-30 percent to the costs of development, with the largest increase being in sub-Saharan Africa and small island states. Strengthened institutional capacity will also be necessary, especially in low-income IDA countries, to address climate change challenges. In this context, IDA will further strengthen climate and disaster risk management in country strategies and programs and will enhance monitoring and reporting of IDA resources used for climate change mitigation and adaptation. The monitorable actions proposed by Management are as follows:

- all IDA country strategies will discuss climate change vulnerabilities and disaster risk management as part of the discussion of the country's development challenges and priorities, and include resilience activities when requested by the recipient country;
- scale up support to IDA countries to develop and implement country-led, multi-sectoral plans and investments for managing climate and disaster risk management in development;
- screen all new operations for short- and long-term climate change and, where applicable, disaster risks, and, where risks exist, integrate appropriate resilience measures;
- support IDA countries to develop national energy action plans and investment prospectuses to achieve universal access to energy by 2030; and
- enhance monitoring by: (i) expanding climate finance coding system to cover tracking of economic and sector work and technical assistance with climate co-benefits in IDA countries; and (ii) piloting a coding system to measure the share of IDA investments with disaster risk management co-benefits.

x. Modifications will also be made to the RMS on climate related indicators. Tier 1: inclusion of the indicator on deforestation rate. In Tier 3: inclusion of two indicators, namely the proportion of IDA country strategies that discuss climate change vulnerabilities and disaster risk management, and proportion of IDA operations with climate change co-benefits.

xi. **Fragile and Conflict-affected States**. Over the past few years, IDA has made significant progress in enhancing its operational and financial support to FCSs. These efforts are showing a positive impact on IDA's portfolio performance in these countries. However, there is a need for a paradigm shift, as highlighted by the 2011 World Development Report to more effectively respond to the specific challenges confronting FCSs. Accordingly, and as discussed at the first IDA17 Replenishment meeting, Management has developed a comprehensive policy package aimed at further enhancing IDA's effectiveness in FCSs, which includes more flexible operational policies, incentives for qualified staff to work in FCSs, strengthened collaboration with IFC and MIGA, and an overhaul of IDA's allocation framework to better respond to emerging opportunities while maintaining the performance orientation of the system. On the latter, and as per Deputies' request at the first IDA17 Replenishment meeting, this paper presents further elaboration on specific implementation issues, such as the rationale for the proposed country performance rating exponent of 4, the application of the eligibility criteria for countries facing "turn-around" situations, and the potential impact and trade-offs of the various components of the proposed allocation framework in the five scenarios presented in the "ask" paper. The monitorable actions proposed by Management are as follows:

- all country strategies in IDA FCSs will be informed by analysis of drivers of fragility and conflict;
- IDA will pursue WBG synergies through IDA-IFC-MIGA joint business plans in at least 10 IDA FCSs to support private sector development;
- strengthen efforts to integrate a gender perspective in IDA's support to FCSs, including with respect to country strategy and operations;
- strengthen knowledge of what works and what does not work in the IDA FCSs through monitoring and evaluation, including impact evaluations, tracking of results of IDA-financed operations and expanded use of beneficiary feedback mechanisms;
- implement the Management response to the recommendations of the ongoing IEG evaluation of the WBG support to FCSs;
- implement OP/BP 10.00 which incorporates a differentiated approach to investment lending in FCSs; and
- implement the proposed revised IDA resource allocation framework for FCSs, which integrates performance and effectiveness considerations.

xii. The RMS will also include new indicators related to FCSs. Tier 1: percent of population below the US$1.25 a day in FCSs. Tier 3: the proportion of country strategies in IDA FCSs informed by analysis of drivers of fragility and conflict. Tier 4: satisfactory implementation of active IDA operations in FCSs; average project implementation support costs and costs of sustaining, support, institutional and indirect services per US$100 million of IDA FCS portfolio; facetime index for IDA FCSs; and, the number of IDA FCSs with IDA-IFC-MIGA joint business plans.

I. INTRODUCTION

1. **This paper discusses the special themes for IDA during the IDA17 Replenishment period and presents proposed monitorable actions under the themes**. In keeping with the approach followed in recent IDA Replenishments, IDA17 will emphasize special themes that warrant intensified and systematic focus to better integrate them into IDA activities. Three special themes – climate change, gender and fragile and conflict-affected states (FCSs) – will be continued from IDA16. The objective of carrying forward these special themes into the IDA17 period is to consolidate the progress already achieved during IDA16 and to step up efforts and further catalyze results in these frontier areas. The fourth special theme – inclusive growth – is integral to the evolving agenda confronting IDA clients and has lines of sight to the World Bank Group (WBG) goals of ending extreme poverty and boosting shared prosperity.

2. **This paper builds on detailed reports prepared for the IDA16 Mid-Term Review (MTR) and the first IDA17 replenishment meeting and draws from the guidance from Participants at both meetings**.[1] Discussions held by two of the four IDA16 working groups also contributed to the identification of the issues discussed in this paper. The working groups on Inclusive Growth and on FCSs met at the margins of the World Bank Annual and Spring Meetings, and benefitted from inputs from beneficiary countries and academia. Both groups reviewed IDA's work in their respective areas of interest and presented recommendations which informed the preparation of this paper.[2]

3. **The paper is organized in seven sections**. Following this introduction, Section II sets the context for these special themes. Sections III to VI discuss the special themes (inclusive growth, gender, climate change and FCSs, respectively) and presents – for each of them – the actions proposed by Management to be undertaken during the IDA17 period that would accelerate IDA's progress in these areas. Section VII concludes and presents the issues for discussion.

II. SPECIAL THEMES IN CONTEXT

4. **Building on the recent strong growth and poverty reduction performance, the outlook for IDA countries is promising, but complex, and interrelated challenges remain**. Differences in countries ability to help people lift out of poverty, despite comparable growth rates, point to the need to identify and address the causes of these differences. Also, some countries with successes in poverty reduction – notably natural resource rich countries – experience rising inequality. For other countries, the risk of economic growth without the creation of "good" jobs – a reality plaguing many IDA countries – remains. Climate change and natural disasters put social and economic achievements at risk. More than one-third of IDA

---

1 See reports on Delivering Results (No. 73561); Mainstreaming Gender (No. 73189), Fragile and Conflict-Affected Countries (No. 73466) and Climate Change (Report No.73283) in http://www.worldbank.org/ida/ida-16-mid-term-review.html.

2 Hansen, H. and Rand, J "Inclusive Growth Thinking in IDA – The Influence of Growth Diagnostic approach and Inclusive Growth analysis in Country Economic Memoranda and Country Assistance Strategies" (November 2012), and "The IDA Working Group on Fragile and Conflict-Affected States – Final Report" (October 2012).

countries are affected by fragility and conflict. The weak institutions, poor governance and capacity constraints in these countries hinder their development and that of their neighbors. Moreover, despite the significant progress in recent years, serious gender disparities persist. Meeting these challenges requires successful domestic policy responses, international cooperation and effective international institutions.

5. **The proposed IDA17 special themes are integral to the evolving agenda confronting IDA countries and the WBG goals of ending extreme poverty and boosting shared prosperity.** IDA17, including its special themes, will be implemented in the context of the WBG goals of ending extreme poverty and boosting shared prosperity, pursuing both of these goals in an environmentally, socially and fiscally sustainable way. Achieving these goals will require strong growth across IDA countries, and to translate that growth into poverty reduction, including in the most challenging environments, and fostering income growth of the bottom 40 percent of the population in every country. It also requires overcoming institutional and governance challenges as well as capacity constraints – notably in FCSs, promoting private sector development, and investing in infrastructure, human development and agricultural productivity. Shared prosperity will require investments that create opportunities for all citizens, promoting gender equality and the inclusion of other disadvantaged groups. Shared prosperity will also require actions that focus on those vulnerable to falling into poverty. Achieving these goals in a sustainable manner would only be possible if, inter alia, there is a commitment to environmental sustainability. In this context, it will be essential to support IDA countries to scale up disaster risk management and climate change adaptation.

6. **IDA17 special themes are mutually reinforcing**. For example, inclusive growth addresses stress factors that have led to social strains and fragility while efforts towards achieving gender equality also contribute to inclusive growth. Similarly, strengthening climate resilience will contribute to addressing situations of fragility and help sustain the gains from inclusive growth. Collectively, the special themes address key bottlenecks to broad-based growth; create opportunity for enhanced leveraging of results through cross-country cooperation; and address the long-term fundamentals for robust and sustainable development. Each theme is discussed below.

7. **IDA17's focus on "maximizing development impact" and the four special themes will enhance IDA's ability to respond to the evolving agenda confronting IDA countries.** In IDA17, IDA's role as a provider of catalytic finance and knowledge services to country clients will be enhanced through more deliberate leveraging of private and public resources as well as global knowledge to maximize impact and development results. On this basis, IDA will strive to deliver more effective support to IDA countries including along the special themes. While the four special themes are mutually reinforcing and collectively address critical bottlenecks to the development process in IDA countries, they are treated separately in this paper for the purpose of focusing the discussion and identifying monitorable actions to track IDA performance during IDA17.

III. INCLUSIVE GROWTH

A. Introduction

8. **In the context of strong growth performance and rising inequality in many IDA countries, inclusive growth has emerged as an important priority.** The special theme of inclusive growth, which was also the focus of an IDA16 Working Group, speaks to the need to maintain the growth momentum in IDA countries while ensuring that the opportunities and benefits of growth are broadly distributed throughout the population, including the poorest and most disadvantaged groups, thus contributing to the WBG goals for poverty eradication and shared prosperity.

9. **Rising inequality has undermined progress in poverty reduction and other Millennium Development Goals (MDGs) in IDA countries.**[3] Over a decade of strong growth in Africa, for example, has lowered extreme poverty from 58 percent in 1999 to 48 percent in 2008, a rate of decline of one percentage point per year. However, results vary widely across resource-rich and resource-poor countries, and inequality at the country level is significant. Similar dynamics are evident across regions, with improved growth performance accompanied by increased inequality. There is also greater recognition that the achievement of several MDGs will demand addressing large inequalities at the national and local levels, including through expanded social protection.[4] For example, an analysis of 35 countries in sub-Saharan Africa (representing 84 percent of the region's population) found significant differences between the poorest and richest fifths of the population both in rural and urban areas. Over 60 percent of the wealthiest quintile had piped water in their premises, while piped-in water was "non-existent" for the poorest 40 percent of households. The 2011 World Development Report (WDR) on Security and Development also points to important risk factors from rising inequality, including a heightened risk of conflict. Specifically, it argues that political exclusion and inequality affecting regional, religious or ethnic groups are associated with higher risks of civil war, while inequality between richer and poorer households is associated with higher risks of violent crime. Analysis across 55 countries during 1986–2003 found a significant rise in the probability of conflict in countries with severe inequalities.

10. **Increased economic opportunity for marginalized groups – including women and youth – can make growth more robust and sustainable**.[5] World Bank estimates in Ethiopia suggest, for example, that reducing basic gender inequalities in education and the labor force could increase Ethiopia's Gross Domestic Product (GDP) by 1.2 percentage points – representing an important potential contribution to both growth and poverty reduction.[6] The

---

[3] The Millennium Development Goals Report 2012 (United Nations: New York, 2012). "Convergence, Interdependence and Divergence" (IMF Finance and Development, September 2012, Volume 39, No. 3). "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development. The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda" http://www.un.org/sg/management/pdf/HLP_P2015_Report.pdf.

[4] Fiszbein, A. "Human Development Counts" in *MDGs and Beyond, Issue 3* (World Bank: Washington, DC. 2012). Among others, conditional cash transfers have played a significant role in the achievement of health and education MDGs, social safety nets have also helped address the negative impact of crises on poverty.

[5] The 2012 MDG Report and "Convergence, Interdependence and Divergence" Op. cit.

[6] IDA/IFC/MIGA Country Partnership Strategy with the Federal Democratic Republic of Ethiopia (2013 – 2016).

2007 WDR pointed out that, in the Caribbean, lowering youth unemployment could raise GDP from 0.3 percent to 2.7 percent in a range of countries based on foregone earnings alone.[7] It also emphasized that having young people sit idle is costly in terms of foregone output, as young people are an enormous source of growth in the short run.

11. **Fostering inclusive growth is increasingly a central objective of IDA countries' strategies**. Policy actions for making growth more inclusive tend to have a long-term perspective and depend on country circumstances and conditions. During IDA17, IDA is committed to increase its support for the efforts of its client countries to spur inclusive growth. Given that both the nature and constraints to inclusive growth are ultimately country-specific, the policy actions for making growth more inclusive will depend on country circumstances and conditions. Given the broad scope of inclusive growth and the need to have country-specific diagnostics to guide policy interventions, Management proposes a two-track parallel approach on inclusive growth that will encompass building the knowledge base and tools for understanding the country specific constraints to inclusive growth in IDA countries as well as devoting special attention over IDA17 to three important channels for inclusive growth: (1) job creation; (2) financial inclusion; and (3) natural resource wealth.

B. Understanding Inclusive Growth

12. **Though strong economic growth is unquestionably necessary to end extreme poverty, countries have had differing experiences in how growth has translated into poverty reduction**. Many IDA countries, especially those dependent on natural resources, have had relatively strong economic growth with slower impact on poverty reduction. Even among countries with successes in poverty reduction, rising inequality has detracted from the recent gains. In Togo, for example, the drop in poverty between 2006 and 2011 (from 62 to 59 percent) was accompanied by a comparable rise in inequality (the Gini index increased from 0.36 to 0.39 over the period).[8] In Mongolia, the fall in poverty from 35 percent in 2002-08 to 29 percent in 2011 was associated with rising inequality, as salaries of skilled workers rose while real wages in the informal sector declined.[9]

13. **For poverty reduction to be sustainable, economic growth must be shared over time and across the population**. Growth must create equitable opportunities across the population to accumulate income-enhancing assets, to allocate those assets to productive purposes, and to obtain fair benefits from those endeavors. This also entails addressing the challenges of the poorest and most vulnerable groups in the population – e.g., people with disabilities.[10]

---

[7] "World Development Report 2007: Development and the Next Generation," The World Bank, Washington DC, (http://go.worldbank.org/Q42ZSKGOP0).

[8] IDA staff estimates and Togo "Questionnaire Des indicateurs Base Du Bien-Etre" (QUIBB).

[9] IBRD/IDA/IFC/MIGA Country Partnership Strategy with Mongolia (2013–2017).

[10] It is estimated that one billion people, or 15 percent of the world's population, experience some form of disability (see "World Report on Disability," http://go.worldbank.org/8KGCMCGZ80). The bidirectional link between disability and poverty (i.e., disability may increase the risk of poverty and poverty may increase the risk of disability) makes dealing with the challenge of disability a key concern in the context of the inclusive growth agenda.

14. **Inclusive growth requires a broad agenda of improving incentives, resources and opportunities for investments in income-enhancing assets**. This implies broadening access to fundamental human-capital enhancing investments like health, education, and early childhood support. But it also requires mechanisms to ensure that the less well-off not only enjoy the benefits of growth but are also integral to the process that generates it. This entails improving the equity in accessing a range of other services, markets and institutions that support poor people's investments in physical, human and other knowledge-based capital. It also entails improving the opportunities of the poor to access financial services, labor markets, infrastructure, entrepreneurial know-how, the knowledge of what to produce, how to produce it, and where to sell it embedded in production networks and value chains, safety nets, decision making opportunities both public and private, and supporting legal frameworks. Enhanced revenue mobilization and efficient and transparent expenditure management will be central to this agenda.

15. **Policy solutions to achieve inclusive growth are wide-ranging and country-specific**. While inclusive growth requires improved opportunities, especially for poor people, to invest in physical, human and other knowledge-based capital and to be able to utilize those assets productively in the economy, there is no standard policy prescription that will move a country to a higher, inclusive growth path. The constraints to inclusive growth (as well as the policy priorities) are specific to country conditions and circumstances. For resource rich countries, inclusive growth may imply focusing on ensuring that the development potential of their natural resource wealth is realized. In agrarian economies, where large numbers of people are engaged in low-productivity activities, inclusive growth requires focusing on actions to both promote higher value agriculture, where low-wage workers are employed, as well as remove barriers to rural workers' transition to more productive jobs in other sectors and locations, including through the increase in the access to reliable electricity. FCSs, trapped in vicious cycles of severe financial and capacity constraints, may require a "big push" along multiple policy fronts for a successful and inclusive poverty reduction.[11] In all cases, policy makers need evidence-based policy options that can help create more productive jobs given their specific constraints.

16. **Helping IDA countries achieve inclusive growth requires the right diagnostics**. It requires deep microeconomic analysis at the country level of the underlying constraints, partnered with integration and systemization of the Bank's and others' knowledge based on country analytics.[12] Therefore, making growth more inclusive requires understanding the micro-underpinnings of economic growth to identify how income-enhancing assets and opportunities are generated and distributed, to assess the returns on those assets, and to understand the sources of and constraints to productivity, investment and job creation.

---

11 Sachs, et al. 2004; Kraay, et al, 2005.

12 "The growth of GDP may be measured up in the macroeconomic treetops, but all of the action is in the microeconomic undergrowth, where new limbs sprout and dead wood is cleared away," The Growth Report: Strategies for Sustained Growth and Inclusive Development, World Bank 2008.

1. Job Creation

17. **Inclusive growth demands improvement in the opportunities for poor people to utilize income-earning assets productively**. While poverty can be reduced through transfers, empirical analysis of changes in poverty by income sources shows that labor earnings are the most important contributor to poverty reduction.[13] Also, as noted in the 2013 WDR, jobs are the most important determinant of living standards around the world and contribute to economy-wide productivity growth and social cohesion. For the vast majority of people, their work is the main source of income.[14] Beyond their importance for individual well-being, the development payoffs from jobs include acquiring skills, empowering women, and stabilizing post-conflict societies. But the nature of employment is important. In many IDA countries, large portions of the labor force are engaged in low-productivity, poorly paid agriculture or informal sector activities. Ensuring that poor people can transition to more productive, well paid activities is key to shared prosperity.

18. **Creating jobs for a rapidly growing labor force is a critical development priority in IDA countries.** Africa and South Asia have the largest share of youths to total population of any region. In Pakistan, for example, people between the ages of 15 and 24 accounted for roughly 29 percent of the population of 161 million in 2010, and the youth population is expected to increase by 10 percent by 2020.[15] Looking forward, over the next 15 years an additional 600 million new jobs will be needed to absorb burgeoning working age populations, mainly in Asia and sub-Saharan Africa. The need for an increased focus on inclusive growth and job creation is also heightened by projections showing that the next four decades will witness the greatest wave of young people ever to enter the labor market, most of them in low-income countries (LICs).

19. **The private sector is the key engine of job creation, accounting for 90 percent of all jobs in the developing world.** But governments play a vital role by ensuring that the conditions are in place for strong-private sector led growth and by alleviating the constraints that hinder the private sector from creating good jobs for development. The 2013 WDR advances a three-stage approach to help governments foster job creation and maximize the development impact of jobs. First, policy fundamentals – notably macroeconomic stability, an enabling business environment (adequate infrastructure, access to finance and sound regulations),[16] investments in human capital (good nutrition, health and education) and the rule of law (protection of property rights and rights at work) – are essential for both growth and job creation. Second, well designed labor policies can help ensure that growth translates into employment opportunities by addressing labor market distortions and providing voice and protection for the most vulnerable, while not undermining efficiency. Third, governments should strategically identify which jobs do the most for development in their specific country context, and remove or offset the market imperfections and institutional failures that prevent the private sector from creating more of these jobs.

---

[13] Inchauste, G., Azevedo, J., Olivieri, S., Saavedra, J., Winkler, H. "When Job Earnings Are Behind Poverty Reduction," World Bank PREM Economic Premise # 97, November 2012.

[14] "World Development Report 2013: Jobs," The World Bank, Washington, DC (http://go.worldbank.org/TM7GTEB8U0).

[15] IBRD/IDA/IFC Country Partnership Strategy with the Islamic Republic of Pakistan (FY2010 – FY2013).

[16] Access to finance and power shortages are the top two chief constraints to firm growth and job creation mentioned by entrepreneurs in low income countries.

20. **Private sector-led growth and employment generation is the most effective path out of poverty**. This requires pursuing an agenda of physical, human and other knowledge-based capital accumulation and reallocation to more productive uses, on the one hand, and improving competitiveness and innovation for strong private sector job creation on the other. However, countries differ in their level of development, demography, endowments and institutions. As a result, the jobs agenda in one country will be different from that in another country.

21. **Some countries have successfully set policies to bring out the development payoffs from jobs.** As an agrarian country, in the 1990s Vietnam concentrated on increasing productivity in agriculture through land reform, agricultural extension and deregulation, and creating job opportunities outside agriculture. Two decades later, poverty has declined dramatically. In Rwanda, in the wake of conflict the government supported the reintegration and demobilization of more than 54,000 former combatants with high payoffs for social cohesion. Rwanda then built on this start by rejuvenating the private sector through reforms of institutions and business regulations. The poverty rate fell by 12 percentage points between 2005 and 2010. Chile, a resource rich country, has managed to diversify its copper exports and its economy through governance reforms in public sector management for accountability and transparency, an active export-oriented growth policy (including foreign investment promotion) and a doubling of public education spending between 1990 and 2009 – while effectively managing resource-related risks such as currency appreciation and inflation through a resource stabilization fund and a transparent fiscal rule. Mauritius shows how a small island country may be able to diversify into activities not based on the exploitation of natural resources. Critical elements of this transformation have been the focus on trade and foreign direct investment, and on using export processing zones to target light manufacturing industries, as well as a favorable regulatory environment and quota system governing garment exports.

2. Financial Inclusion

22. **Financial inclusion is critical to income generation for the poor, through entrepreneurship, employment and the growth of small businesses**.[17] It is estimated that 2.5 billion people – 1.35 billion of them women – still do not have access to financial services. Data has shown that financial access is essential for enterprise growth.[18] Lack of access to financial resources has a number of serious effects: (i) firms with less credit have less ability to invest, and thus grow more slowly; (ii) the lower investment rate also leads to lower rates of productivity; and (iii) less access to credit decreases firm survival rates.[19] Micro, small and medium enterprises (MSMEs) need access to a range of financial services, in addition to credit. Savings can finance investment and start-ups, while insurance enables MSMEs to manage the risk of those investments, and transactions services facilitate safe and efficient business activity. In addition, lack of access to financial services can reinforce and contribute to income inequality:

[17] For example see: Čihák, Demirgüç-Kunt, Feyen and Levine, "Benchmarking Financial Systems Around the World", 2012, Policy Research Working Paper 6175, the World Bank.

[18] In Africa, surveys suggest that access to finance is a leading constraint for small businesses and that the majority of savings and borrowing options are informal. See Demirgűç-Kunt and Klapper, "Financial Inclusion in Africa: An Overview," World Bank: Washington, DC, 2012.

[19] Clarke R.G., Cull R. and Kisunko, G. "External Finance and Firm Survival in the Aftermath of the Crisis," World Bank working paper, April 2012.

recent data suggest that among all adults in the developing world, those in the richest quintile are on average more than twice as likely as those in the poorest quintile to have a formal account.[20]

23. **The ability to save and protect against risk is critical**. Research has shown that the "near-poor" are often only one "shock" away from poverty. For most poor households moving away from poverty requires access to services that will help them smooth consumption over time and protect against shocks, such as savings accounts, micro-insurance and pensions. Access to a regulated account (convenient, secure and low-cost savings accounts) increases savings, particularly when savings products include commitment elements. Two recent randomized studies show that the poor who were given inexpensive options to save were not only more likely to save more, but that those savings later translated into higher investments in their businesses (for example, inventory for those selling goods in the market, or fertilizer for farmers). The savers also had higher daily expenditures for food, and were less likely to draw down working capital or stop working in response to health shocks.[21] In addition to formal savings, other risk mitigation products such as insurance are necessary to help the poor deal with larger shocks, such as natural disasters, death of a breadwinner, or major health issues.

24. **Payments systems and remittances are critical to financial inclusion.** The most frequent interaction most people – including the poor – have with the financial system is through payments (e.g., benefits and salaries, conditional cash transfers (CCTs) and remittances). All people, including the poor, must make payments on a regular basis. In IDA countries, the vast majority of payments continue to be in cash. Transporting and safeguarding cash is expensive, especially in areas where crime and violence are high, or where low population density does not support bank branches or ATMs. The use of electronic payments lowers transactions costs, increases safety and also cuts down on corruption (since electronic payments can be more easily tracked). The ability to make payments safely and cheaply has allowed more people to have and use transaction accounts, and also to keep more money in their pockets. For example, IDA countries received over US$170 billion in remittances in 2012, and the cost of sending money to them was 9.5 percent of that amount. Lowering the cost of sending remittances to IDA countries even by just one percentage point would result in saving at least US$1.7 billion per year.

3. Natural resource wealth

25. **Recent mineral discoveries in several IDA countries, notably in sub-Saharan Africa, point to new opportunities to harness natural resource wealth for ending extreme poverty and boosting shared prosperity.** Rising world commodity prices, improved technology and strong investor interest have led to recent mineral discoveries in several IDA countries, lifting hopes for a significant expansion of resource income in several countries. This trend is likely to continue because many countries are discovering new resources (e.g., Ghana, Mozambique, Tanzania and Uganda), and there is still much natural wealth to be discovered. In a sample of 16

---

[20] Demirgűç-Kunt and Klapper, "Measuring Financial Inclusion: The Global Findex Database," World Bank: Washington, DC. 2012.

[21] Kendall J. "A Penny Saved: How do Savings Accounts Help the Poor?" Bill and Melinda Gates Foundation, 2010. Dupas P. and Robinson J. "Savings Constraints and Microenterprise Development," NBER Working Paper, 2010; Duflo E., Kremer M. and Robinson J. "Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya," NBER Working Paper, 2009.

low income countries, fiscal revenues from non-renewable natural resources in 2002–2012 averaged 19.4 percent of GDP, with a standard deviation of 5.2 percent of GDP. In the case of Angola, oil revenues averaged 33.3 percent of GDP, but with a standard deviation of 6.2 percent of GDP. As the opportunity to harness natural resource wealth increases in resource-rich countries, demands for ensuring inclusive and sustainable growth through accountable government and good policies are also increasing in tandem, so that the opportunities provided by natural resource wealth are not squandered.

26. **Natural resource wealth has the potential to be a game-changer for accelerating development in IDA countries, although when not well managed it can be a significant economic stress factor for conflict**.[22] Natural resource industries can generate significant revenues, create jobs directly and indirectly and transfer technologies and knowledge. These benefits could provide governments with a financial base for infrastructure development and social service delivery. The extractive industries (EI), and the petroleum sector in particular, are known for generating high economic rent – the difference between the value and cost of production – and the government's share of this rent can be very large in times of high commodity prices, as in the last several years. However, policy makers face challenges in managing these resources due to their price volatility and exhaustibility. Many resource-rich countries have fallen prey to the "resource curse," under which this wealth has not translated into employment creation and poverty reduction. The impact of overvalued exchange rates on the rest of the economy, poor policy choices and corruption have often exacerbated the cycles of poverty and conflict. Thus, although resource rich countries have seen a strengthening of economic growth over the last decade, poverty rates have fallen slowly, income distribution remained highly unequal and limited structural transformation of their economies has taken place.[23]

27. **Resource wealth comes with the complex responsibility of ensuring that exhaustive resources are adequately exploited and benefit the population at large**. This includes decisions regarding the optimal rate of extraction, contractual terms with international companies with the expertise and the financing to extract the resource, and the rate of savings/ investment/consumption of revenues from the resources. Political pressures, incentives and behaviors change with expectations or the reality of natural resource wealth. The price volatility that characterizes mineral resources may also translate into more volatile budgetary revenues and spending. Governments focusing on long-term development must seek to plan for the time when the natural resources are depleted by supporting the diversification of the economy. These complexities can be overwhelming particularly in countries in which technical capacity is low and institutions underdeveloped.

C. Recent Progress in IDA Countries

28. **A review of a sample of 30 IDA Country Assistance Strategies (CASs) shows that the three areas of focus for inclusive growth are well integrated in IDA's support, through**

[22] Barma N. H., Kaiser K., Minh Le T. and Vinuela L., "Rents to Riches? The Political Economy of Natural Resource-Led Development", The World Bank, 2012.

[23] Africa's Pulse. April 2013, Volume 7.

project financing and the provision of knowledge and advisory services. The current Interim Strategy Note (ISN) for Afghanistan includes analytical work and financing on resource corridors, female youth employment and management of natural resources. The CAS for Burkina Faso for 2010-12 includes the preparation of a Country Economic Memorandum (CEM) and policy notes on sources of growth and sustainable competitiveness as well as interventions of IDA, IFC and MIGA to expand exports and diversify the economy. The IDA Nigeria Edo State First Development Policy Operation (DPO) for a credit of US$75 million supports this state's critical reforms for improving the management of public resources and creating a better environment for growth and employment creation in a socially-accountable way. More broadly, IDA core activities typically support countries' efforts to improve the provision of public goods to facilitate inclusive growth (e.g., infrastructure, education, health); accelerate investment climate reforms for private sector growth and job creation; set up well-targeted safety nets for the most vulnerable; and promote greater voice and citizen participation while building transparent and accountable systems. IDA also supports improvements in the tax systems and administration and in public expenditure management which contribute to the growth potential of the economy, the equitable distribution of public resources and the targeting of vulnerable groups.

29. **The IDA16 Working Group on inclusive growth (WGIG) noted that the WBG has done substantial work on inclusive growth but challenges remain**. The activities noted during the WGIG discussions include the support provided to the Commission on Growth and Development from 2006 to 2009 as well as the development of inclusive growth analytic tools. It was also noted that the World Bank had augmented the growth diagnostic methodology initially proposed by Hausmann, Rodrik and Velasco in 2005 by an in-depth description and analysis of the labor markets to form a comprehensive inclusive growth analysis. On the other hand, an independent review commissioned in 2012 by the WGIG concluded that the extent to which IDA teams apply the inclusive growth analysis as the methodological framework in CEMs varies. The review also indicates that in some cases, the binding constraints to growth identified in the CEM are adequately addressed in CASs (e.g., Uganda); while in others some inconsistencies were identified (e.g., Mozambique).

30. **IDA has also contributed to reduce inequities in accumulation and access to income enhancing assets and opportunities**. Since 2000, IDA support for education has benefited more than 105 million children, and significantly increased girls' access to education. Through IDA, 3 million teachers globally have been recruited and/or trained; over 2 million classrooms built or rehabilitated; around 300 million textbooks purchased and/or distributed. With IDA support, about 33 million mosquito nets were purchased and/or distributed to prevent malaria and 47 million people accessed a basic package of health, nutrition or population services. A study of bed net usage in Western Kenya reports a 25 percent reduction in death among children. Over 118,000 km of roads were constructed or rehabilitated and over 134,000 km of roads maintained.[24, 25]

[24] For details on IDA results see http://www.worldbank.org/ida/results.html.

[25] IDA analytical and project support – including in education, employment, safety nets, transport, infrastructure, health, post-conflict and natural disasters – also contributes to removing barriers that limit the functioning and participation of people with disabilities. For examples see http://go.worldbank.org/0GWEU0VOY0.

31. **Improving opportunities for the poor starts with knowledge**. IDA countries have made significant progress in building the statistical and analytical capacity to identify the poor and vulnerable and to monitor progress in their path out of poverty. According to information available at end 2012, 57 IDA countries had already conducted a population and housing census, 20 planned to conduct a census and only 4 did not have a plan to conduct a census. This means that 97 percent of the world's population will have been enumerated. Over 46 IDA countries have improved their practices in data collection, management, and dissemination of household surveys. Forty-seven countries are implementing national statistical development strategies and 24 more are in the process of designing a strategy. For IDA countries, the quality of national statistical systems, as measured by the World Bank's statistical capacity indicator, has improved from its benchmark level of 51 (out of 100 possible points) in 1999 to 63 in 2012. A recent evaluation of the Paris Declaration on Aid Effectiveness, "Progress since Paris," found "evidence suggesting that MDG related statistics are becoming increasingly available at the country level".[26] The filling of gaps in the MDG database is a result of improved data collection efforts by national statistical authorities and completion of national censuses, new surveys sponsored by international donors, and the recovery of unprocessed surveys and interpolation or modeling of missing observations. For some indicators, the improvement has been even more dramatic: the number of IDA countries with data on "birth attended by skilled health care staff" was 33 countries around 1990, and is 64 now. In 2005 no IDA country had two or more comparable estimates of maternal mortality ratios; in 2013 there were 76.

32. **Increasingly, IDA countries have adopted a diagnostic approach to identifying the country-specific constraints to inclusive growth**. Drawing upon multiple sources of microeconomic data, countries are making use of various analytical techniques to better identify and prioritize the country-specific needs for sustainable and inclusive growth. More than a dozen IDA countries have undertaken inclusive growth analysis studies, resulting in improved granularity in policy recommendations and in investment priorities, and greater attention to inclusive growth issues by country stakeholders. [27] The more focused understanding of inclusive growth, from factor market rigidities affecting low-income workers to geographic disparities in infrastructure, also raises the understanding of the critical role that statistics play in solving development problems.

33. **Inclusive Country Growth Analytic Reports, conducted for 25 IDA countries, help identify key constraints to growth.** Infrastructure gaps are bottlenecks to growth in most developing countries. Reports on Benin, Mongolia, and Zambia highlight high costs and unreliable services including energy, transport, telecom, and water.[28] Lengthy and complex transit procedures, including customs and trade rules; distortionary taxes; coordination failures, at both domestic and international levels; and growing corruption are other constraints mentioned in the reports. These constraints undermine competitiveness, limit job creation and therefore serve as a major constraint to inclusive growth.

---

[26] "Aid Effectiveness 2005-1010: Progress in Implementing the Paris Declaration, OECD draft 15 August 2011."

[27] Several inclusive growth studies were financed under the multi-donor trust fund, the Diagnostics Facility for Shared Growth.

[28] See http://go.worldbank.org/KMA8I1PV60.

34. **The WBG has also supported knowledge exchanges across countries in the area of inclusive growth**, including through the South-south Knowledge Exchange Facility.[29] For instance, policy-makers from Cameroon, Lesotho, Liberia, Senegal, Uganda and Tunisia learned about the links between skills development and economic growth from China and India (for the latter see Box 1). Organized by the Facility, the exchange allowed learning from technical and vocational education and training institutions that target different populations and employ diverse training models, highlighting the need for such training to be flexible, demand-driven and shaped to address countries' specific conditions, and the importance of industry collaboration for its design. Mongolian government officials, private sector representatives and Civil Society Organizations (CSOs) reviewed best-practice case studies about economic diversification in mining-rich countries and discussed their findings with experts from Chile and Kazakhstan. The participants gained insights on how to foster the development of competitive economic clusters around agriculture and mining and how to encourage partnerships between public and private sector organizations. The exchange directly influenced economic policy reforms, including amendments to Mongolia's Law on Higher Education, a law on innovation, policies to encourage development of high-technology industries, and a mid-term strategy on competitiveness.

Box 1: Boosting the Success of Industrial Trainees in the Job Market in India

With more than 12 million new entrants into the labor market, India faces the huge task of providing its youth with skills that are valued by employers. Using a reform-based IDA credit, India has successfully improved the quality of vocational training provided by 400 industrial training institutes and strengthened the quality of more than 10,000 vocational training instructors, helping to ensure that more than 200,000 trainees are more suited to the job market. The employment rate of graduates increased from 32 percent after a year of graduation in 2006 to 60 percent in 2011.

35. **Acknowledging its role as enabler for achieving development goals, at least 17 IDA countries have made headline commitments to financial inclusion in the last two years.** These include goals for the percentage of adults with access to regulated accounts, with Rwanda setting a target of 80 percent access to formal financial services by 2017, and Ghana aiming for 70 percent in a similar timeframe. IDA countries are also committing to comprehensive reforms to encourage the expansion of financial services to lower income households and MSMEs. Examples include measures to encourage the adoption of innovative channels to improve agent and mobile phone banking, payment systems reforms to underpin the safe and low cost use of those innovations, and financial literacy programs to enable new consumers to benefit from financial inclusion.

36. **The WBG plays a unique role in the development of private MSME finance**. Traditional providers of credit are often ill-equipped or not interested in the challenges of micro-credit, or even credit to small and medium enterprises. Since private markets have slowed lending to MSMEs,

Box 2: IDA's Support to Microfinance

Niger. Since 2004, the IDA-financed Financial Sector Technical Assistance project has provided technical assistance to the Ministry of Finance, the Microfinance Regulatory Agency and specific microfinance providers. From 2005 to 2009, the number of microfinance clients nationwide increased by 223 percent, from 124,000 to 401,000, with the proportion of loans to women increasing from 41 percent to 57 percent.

Bosnia and Herzegovina. A US$27 million IDA-financed Local Initiatives Microfinance project launched shortly after the war resulted in about 380,000 micro-credits for more than €600 million disbursed over 10 years from the revolving micro-credit fund. When the project closed in 2005, 8 organizations were serving about 100,000 active borrowers, and more than 200,000 jobs were created or sustained, gender parity was achieved, and 60 percent of new clients formalized their businesses.

[29] For more information, visit http://wbi.worldbank.org/sske/all-result-stories.

especially in poorer countries, the availability of IDA support is critical to support MSMEs. Currently IDA is actively supporting MSMEs though a range of products, including credit lines, small business training, and other support. From FY09 to FY12, IDA commitments for SME finance and microfinance in IDA countries is estimated at US$618 million (see Box 2 for examples of IDA-financed projects).

37. **IDA and IFC provide support to MSMEs, beyond credit**. Most MSMEs do not have the traditional documentation (e.g., financial statements, registered collateral) needed for traditional lending. In addition to direct support to MSMEs (e.g., management training, accounting services), the WBG assists in enabling business environment reforms including the development of critical infrastructure such as credit bureaus and collateral registries, regulatory reforms to expand and improve the provision of financial services that meet the needs of MSMEs, and land titling reform. The WBG has also helped develop new financial instruments, such as factoring, leasing, securities based on receipts and early stage financing. In some cases, the WBG provides assistance in the entire range of work, from the drafting of legislation that allows new instruments, to supporting development of financial institutions (e.g., leasing companies) and the structuring and issuance of new products.

38. **At the household level, IDA is working in several different areas**. On household savings, it is working with regulators and supervisors to improve the safety of savings accounts in both bank and non-bank savings institutions such as credit unions and credit cooperative. As recent events have shown, the safety of these accounts is critical, so work on improving the quality of non-banks is important. In addition, IDA has provided technical assistance (TA) to support the development of deposit insurance programs in numerous countries including Kenya, Nigeria, Ghana, Rwanda, Cambodia, Mongolia, Myanmar, and the Kyrgyz Republic.

39. **IDA has also been active in the area of housing finance** (Box 3). This includes a US$40 million ongoing project to support housing finance in Tanzania and a US$100 million ongoing low-income housing project in India, and a US$300 million housing finance project in Nigeria currently under preparation.

Box 3: India Low Income Housing Project

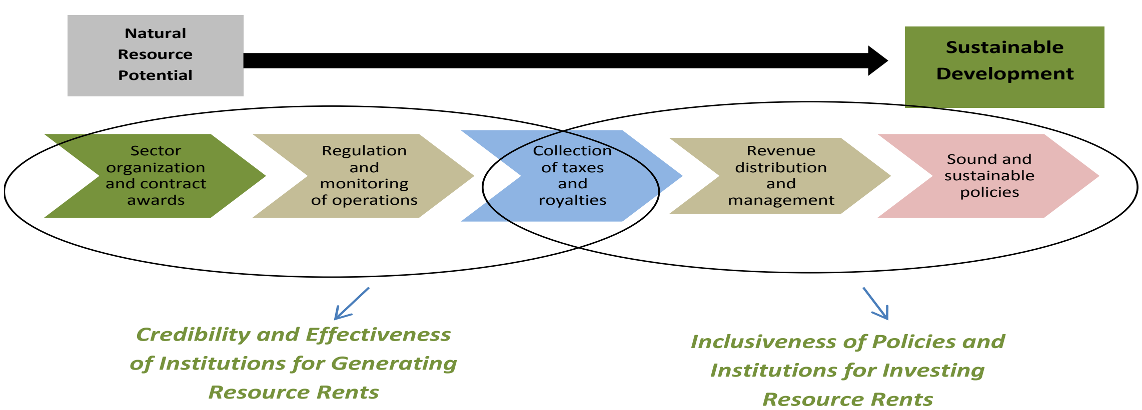
A US$100 million project approved in May 2013 is helping expand access to housing finance among India's informal workers, who are currently excluded from the formal financial system. The targeted households earn less than 15,000 Rupees a month (around US$275). This income group represents 75 percent of the Indian population, but only 3 percent of the current outstanding mortgage credit.

40. **In terms of risk mitigation, IDA has developed innovative products to help households cope with the impact of disaster-related shocks**. Support from IDA and the Global Facility for Disaster Reduction and Recovery (GFDRR) for the rebuilding of core infrastructure following a natural disaster and the development of building codes and other natural disaster preparedness measures, have a direct effect on the household income and assets of the most vulnerable, as they are the least likely to be able to afford insurance for their property. A number of vulnerable IDA island economies including Grenada, Dominica, St. Lucia, St. Vincent, Tonga, the Marshall Islands, Samoa, Solomon Islands, and Vanuatu have received insurance coverage. Initial work is also underway in Burkina Faso, Mozambique and Ethiopia.

41. **IDA's work on crop insurance against natural disasters provides a critical service to the poor**.[30] Private insurance is often not available for small farmers, so government programs often fill this void. Two recent examples of IDA's work include: (i) India Crop Insurance, which is being piloted in 17 states and covers approximately 1 million farmers for a total premium volume of US$70 million; and (ii) Mongolia herder's insurance, which provided coverage for 2.5 million livestock owned by 16,000 herders. Work is also underway to develop or support programs in Senegal, Benin, Tanzania, Nigeria, Ethiopia, Uganda, Nepal and Bangladesh. IDA's role in these insurance products is critical; for both disaster and crop insurance, the private sector often does not find it profitable to develop these products, as adequate risk diversification is not available, and in the case of crop insurance, servicing costs may be uneconomic.

42. **The WBG plays a key role in supporting member countries in identifying and implementing reforms to foster the development of natural resource sectors efficiently and sustainably.** It engages along the EI value chain (Figure 1), which spans the key steps that a resource–endowed country must undertake in transforming its natural resource rents into development outcomes. IDA's support ranges from lending and policy advice for the transparent and efficient development of EI sectors (including policy legislation and regulation, sector organization, strengthening capacity for contract and license award negotiations, regulation and monitoring of operations), to support for adequate fiscal policy and administration, revenue management and allocation, and policies and programs for sustainable development, including realizing the revenue potential of the resource sector, managing resources revenue transparently and effectively, and supporting economic diversification.[31]

Figure 1: Natural Resource Management Value Chain



30 These include droughts, floods, or other external forces that cause crops to fail.

31 In Afghanistan, for instance, IDA has supported sector and sub-sector policy frameworks, including environmental/social management and protection of cultural property, building of capacity for monitoring and regulating mining operations, and consultative frameworks for improved community participation. On sector development, IDA assistance has resulted in the tendering of two world class deposits, with US$7 billion investment commitments into Afghanistan. The competitive, transparent tender methodology developed led to a concurrent tendering of an additional six more assets and two more properties in 2012. IDA is now providing support for the development of a resource corridor strategy to help leverage the country's natural resource investments and development for inclusive growth. In Uganda, IDA is sharing international experience on the intergovernmental sharing of oil revenues. In Ghana, IDA has supported the preparation of social responsibility guidelines for mining companies in mining communities in consultation with stakeholders and the establishment of a policy and institutional framework on transparency in the award of contracts and licenses, and in revenue management and allocation.

43. **Efforts have also been stepped up to promote good governance in resource-rich economies and encourage greater transparency and accountability in the oil, gas and mining sectors**. Activities include: (i) analysis of EI governance issues through country case studies (e.g., Ghana and Mongolia), the "Rents to Riches" study of political economy aspects of natural resource management,[32] and a new Extractive Industries Source Book;[33] (ii) enhanced WBG coordination on oil, gas and mining activities through the Extractive Industries Task Group established in 2011; (iii) scaled up country level engagement, in countries like Ghana, Liberia, Malawi, Mongolia and DRC, IDA is working with government, industry and civil society to promote good governance, using a combination of trust funds,[34] policy loans and analytical support; prominent in this area is the need to improve the efficiency, transparency and accountability of public resource use, notably the quality of public investment which is being ramped up as a result of increase revenues, as well as efforts to inform and engage stakeholders in the process of natural resource governance; (iv) the development of guidance notes to better integrate good governance of the EI in the design of projects and assistance strategies.

44. **IDA and MDTF support have been critical for the rapid uptake of the Extractive Industries Transparency Initiative (EITI) in IDA countries**.[35] Currently, of a total of 28 IDA countries implementing the EITI, 15 are compliant and seven are candidates (see Annex 3). The EITI has helped improve disclosure and reconciliation of EI revenues paid and received by governments, and has informed countries' reform agenda, such as public financial management (PFM) or institutional reforms. Through policy dialogue, an IDA Economic Governance and Institutional Reform Project and trust fund resources, IDA has helped Liberia implement the EITI. The first in Africa, Liberia reached compliant status in October 2009. Liberia's EITI initially covered mining and petroleum but has now been extended to forestry and fishery. With IDA support it is now moving towards the value chain approach, which will include monitoring of concession awards, EI revenues and expenditures. In this context, the Bank has prepared a scoping study to identify reforms needed and the gaps of implementation.[36] Nigeria issued its first EITI reports in 2005 covering the years 1999-2004 and reached compliant status in 2011. In addition to the mandated reconciliation report on revenues, Nigeria prepared audit reports on the physical amount of oil produced at the wellhead, and on revenues channeled from the producing company to the national treasury. Weaknesses highlighted by the reports, including that the authorities had no reliable tools to measure oil production, informed subsequent reforms. Reconciliation following the initial audit report reduced the discrepancy between the actual revenues paid to and reported by the government from US$250 million to US$16 million.

D. IDA's Comparative Advantage in Supporting Inclusive Growth

45. **IDA is well positioned to help member countries adopt and implement policies conducive to sustainable and inclusive growth**. Inclusive growth is at the core of the new WBG strategy to achieve the two goals of eliminating extreme poverty and boosting shared

---

[32] Barma et al. 2012 Op. cit.

[33] See www.eisourcebook.org.

[34] This includes funding provided by the Strategic Approaches for Strengthening Governance in Extractive Industries.

[35] The EITI promotes transparency, accountability, and good governance in the use of oil, gas, and mining revenues in resource rich countries.

[36] Sources: Liberia CPS Progress Report for FY09-12; and IEG report on Liberia program (FY04-11).

prosperity. IDA's global, sector and industry knowledge provides an integrated perspective to advise governments on policies to promote economic diversification and employment creation, facilitate inclusive growth, enhance tax systems and administration and public expenditure management, as well as set well targeted safety nets for the most vulnerable segments of the population. IDA's unearmarked financing provides the flexibility needed to address inclusive growth related challenges which are country specific. Its multisectoral perspective ensures that it can offer effective integrated solutions. In the context of the strategy, increased synergies within the WBG will be reinforced to increase effectiveness. As indicated 2012 report, "*Inclusive Growth Thinking in IDA"* commissioned by the IDA Working Group on inclusive growth, the "World Bank spends significant resources on analytic work and World Bank country reports form the backbone for evidence based policy in many developing countries. World Bank views on key development questions and reform agendas are therefore highly influential in shaping the direction of reform-efforts within countries."[37]

46. **IDA is particularly well positioned to help countries design and establish the institutional capacity to maximize the potential of natural resource wealth**. Specifically, IDA has:

- the global expertise, skills and honest broker status to strengthen countries' capacity to negotiate contract that are fair and transparent;
- the experience to design environmental and social safeguards that protect the livelihoods of communities;
- the knowledge to help governments design extractive sector institutions and plan and budget and savings/investment management institutions that ensure efficiency;
- the breadth of knowledge of various economic and social sectors to advice governments on plans and strategies for skill development and economic diversification; and
- the global convening power to build partnerships, domestically and internationally, to influence demand for good governance of the resources.

E. Proposed Commitments on Inclusive Growth for IDA17

47. **The strategic orientation of IDA in promoting inclusive growth is structured around the following pillars:** (i) making the twin WBG goals central to country dialogue; (ii) building capacity to collect key data to identify and prioritize main constraints to inclusive growth and related policy options, to understand trade-offs among possible actions, and to prioritize and sequence interventions; and (iii) fostering good governance of natural resource wealth.

48. **IDA will make the WBG goals of eliminating extreme poverty and promoting shared prosperity central to country dialogue**. Country strategies are the framework for all

---

[37] http://siteresources.worldbank.org/BORROWERPORTAL/Resources/257203-1301946724090/AMs2012_InclusiveGrowth_Finaltreport.pdf

IDA activities at the country level, and are key vehicles for raising the profile of the critical issues in policy dialogue, operations and results frameworks. During IDA17, country strategies will be informed by inclusive growth discussions, aimed at identifying the extent of inclusive growth, the critical barriers to inclusive growth, and monitoring country progress toward removing those barriers. In the absence of key microeconomic data that allow a determination of trends and barriers to more inclusive growth, IDA will support countries to develop the needed statistical capacity underpinning inclusive growth analysis.

49. **Building country-level statistical capacity**. Despite the improvements in data, serious gaps about jobs and livelihoods – particularly those of the poor – limit our ability to diagnose problems and find solutions. The lack of workplace and income data is particularly acute in many IDA countries as almost half of countries in sub-Saharan Africa have not carried out a household income or expenditure survey in more than five years. Where data is weak, IDA is committed to work in close collaboration with other partners – such as the International Labour Organization (ILO) – to help countries build their capacity to undertake and improve the accessibility of surveys that provide the foundation of analysis and planning. Although statistical capacity building is a slow and gradual process, work is underway. IDA will shortly complete a detailed and systematic inventory of labor-related surveys (both for households and establishments) since the year 2000.[38] Once completed, survey data at the record (or "micro") level (and supporting metadata on the questionnaire, sample size, etc.) will be made available wherever possible and used to improve the quality of employment indicators, including those for labor force participation, employment status and informality.[39]

50. **Developing and disseminating operationally relevant toolkits for inclusive growth diagnostics is essential**. IDA will roll out analytical tools and data platforms that facilitate the analysis of the key microeconomic data sources for inclusive growth diagnostics. The World Bank's Enterprise Surveys, provide a readily available source of data for firms in the formal sector of IDA countries, to help identify where jobs are being created, measure firm performance, and determine how these variables and economic growth is affected by different constraints to business. Complementing the enterprise surveys and data analysis platforms such as AdEPT (which facilitates the analysis of poverty across countries and years utilizing household survey data), IDA will roll out additional tools to facilitate the analysis of how, why and where good jobs are created and lost in the economy.

51. **Expansion of financial services is critical for inclusive growth**. The WBG needs to make sure that financial inclusion is expanded prudently and safely, and fully benefits new lower income customers. During IDA17, the WBG will be working to expand financial services and lower the cost of these services in IDA countries, particularly for underserved groups. This includes programs in credit services (including housing finance), savings, payments services, remittance services, disaster insurance, micro insurance, and pensions. Data collection has been

[38] To date 695 surveys have been identified.

[39] Improved enterprise-based data allows for tracking of patterns, firms, conditions and characteristics of firms that are hiring and those that are not, the extent of "more and better private sector jobs" creation, and the extent to which productivity gains are shared in the form of income compensation across employee skills, types and gender.

enhanced to allow for better tracking of data by gender and income level. However, there is scope to improve coverage of lower income countries.

52. **Good governance of natural resource wealth is critical to ensure that its development potential is realized**. In IDA17, IDA will step up its current efforts to provide countries with technical advice and financial assistance to design and establish the institutional capacity needed to maximize the potential of natural resource wealth. In coordination and complementarity with IBRD, IFC and MIGA, IDA will also support the adoption of best practices in EI management.

53. **During the IDA17 period, IDA will step up its support for inclusive growth in three specific areas, described in detail in the bullets below**. The policy commitments proposed by Management for IDA17 are aligned with recommendations from the 2013 WDR on jobs and build on IDA' comparative advantages in this area**.** Specifically for the IDA17 period, Management proposes to:

Make the two WBG goals central to country dialogue

- all IDA country strategies will be aligned with the goals of ending extreme poverty and promoting shared prosperity (with a focus on the income of the bottom 40 percent of the population in each country).

Build capacity to collect key data to identify and prioritize main constraints to inclusive growth and related policy options, understand trade-offs among possible actions, and prioritize and sequence interventions

- improve the accessibility and documentation of under-utilized surveys, and working with the ILO and country partners, improve the systematic collection of data on individuals and enterprises from household surveys and business surveys, censuses, which can help guide policy makers' priorities for economic growth with shared prosperity;

- develop a jobs-focused diagnostic tool (integrating available country-produced microeconomic data), pilot it in 6-8 countries and disseminate it;

- expand coverage of the Global Financial Inclusion Database (Global FINDEX) for IDA countries;

Foster good governance of natural resource wealth

- analyze the growing pool of EI data (licensing, contracts, production, revenues, spending, corporate impact, quality of service delivery) that complements commodities data, and make it available to inform policy formulation and public debate;

- promote coordination and complementarity between IDA, IBRD, IFC and MIGA in support for the adoption of best practices in EI management, including: (1) scaling up of technical assistance for the implementation of EITI and other initiatives for transparency in the management of EI, and (2) monitoring of publication of contracts and payments.

54. **In addition to the above policy commitments, Management proposes to enhance the IDA RMS during IDA17 to improve and better utilize new data and knowledge on inclusive growth**. The proposed enhancements are as follows:

- **Tier 1** (country–level outcomes). Reflecting the twin WBG goals, an indicator tracking the "income of the bottom 40 percent of the population" will be included (this is currently under development). Under the inclusive growth and private sector development category, three indicators, "employment to population ratio (men and women)", "bank accounts per 1,000 adults (men and women)" and "gross capital formation (public and private)", will be added. Two new indicators relevant to inclusive growth will also be added under the governance and institutional development category, namely the number of EITI compliant countries and the level of statistical capacity of IDA countries.

- **Tier 2** (IDA supported development results). Two new indicators proposed to be added in the 'support to institutions and governance" category, are relevant for inclusive growth. These are: (i) countries supported on strengthening national statistical systems; and (ii) countries with strengthened public financial management systems in tax policy and administration (the latter is particularly relevant for natural resource rich countries). One other addition relevant to inclusive growth is proposed under the "private sector development" category, namely "private capital mobilized by IDA operations" which is critical to assess the ability to leverage financing.

- **Tier 3** (IDA operational effectiveness). One addition is proposed: the proportion of IDA CASs that are aligned with the goals of ending poverty and promoting shared prosperity (with a focus on the income of the bottom 40 percent of the population in each country).

IV. GENDER

A. Introduction

55. **IDA countries have made significant progress in advancing gender equality in recent years**. Improvements in education and health that took a century to achieve in now wealthy countries are now taking much less time in many of these countries. Primary school completion for girls increased from 69 percent in 2005 to 79 percent in 2010 in IDA countries. The completion rate for boys increased from 78 percent to 83 percent during the same period. The ratio of girls to boys in primary and secondary school has increased from 89 percent in 2005 to 93 percent in 2010. In health, the maternal mortality ratio has decreased from 430 to 340 per 100,000 live births between 2005 and 2010. Official development assistance (ODA), including from IDA, played a critical role in fostering this progress by improving access to services and expanding economic opportunities.

56. **Despite this progress, serious gender disparities persist**. Women in sub-Saharan Africa and South Asia, for example, still suffer maternal mortality rates comparable to that of 19th century Europe. Women's economic opportunities are often constrained – women agricultural workers, especially in Africa, operate smaller plots of land, have less access to essential inputs such as fertilizer, are limited in their access to credit and farm less remunerative crops, leading to lower overall productivity. Too little progress has been made in expanding voice and agency. More than 510 million women will be abused by their partner in their lifetime, and more than one-third of girls globally, especially in the poorest countries, will be married before their 18th birthday. Women also lag behind men in participation in high level decision making positions – globally women comprise only one in five national parliamentarians and heads of state.

57. **During IDA17, Bank Management is committed to redouble efforts to tackle gender gaps and push new frontiers on gender equality**. IDA will build on achievements and lessons learned during IDA16 as well as the recommendations from the 2012 WDR on Gender Equality and Development to push the frontiers for IDA in helping countries advance gender equality. The 2012 WDR reviewed and synthesized recent studies on the progress made in gender equality.[40] It sent a clear message that equality between men and women is both smart economics and of intrinsic value – closing gender gaps can raise productivity, improve other development outcomes, including prospects for the next generation, and contribute to more representative decision making in societies.

58. **The 2012 WDR identified four priority areas going forward**: (i) reducing gender gaps in human capital — specifically those that address female mortality and education; (ii) closing gender gaps in access to economic opportunities, earnings, and productivity; (iii) shrinking gender differences in voice and agency within society; and (iv) limiting the reproduction of gender inequality across generations. These are areas where higher incomes by themselves do little to reduce gender gaps, but focused policies can have a real impact."[41]

B. Progress in Gender Mainstreaming

59. **Gender-related commitments under IDA16 were fully achieved – though much more remains to be done**. There has been marked improvement in the quality and volume of gender-informed work.

60. **A significant achievement for strengthening country policy dialogue was achieved with the delivery of the WDR2012, the first ever on gender**. The 2012 WDR provided a major opportunity to promote discussion and policy debate on gender equality, and to reposition the WBG and IDA at the forefront of the global gender equality agenda. It has been widely disseminated, including launches in 27 developing countries (12 IDA countries) and through the global think EQUAL campaign. Companion reports were developed to apply the 2012 WDR framework at the regional, sectoral and country level.[42] Consultations around the preparation

---

[40] For an overview of the literature see World Bank 2012 WDR on Gender Equality and Development.
[41] 2012 WDR on Gender Equality and Development. page xiii.
[42] All the regional and network companion reports can be found at http://go.worldbank.org/Q4YNH3HE20.

and launches of these reports have been important and have helped to further strengthen dialogue and foster country awareness of gender equality as a key development issue.

61. **During the IDA16 period gender diagnostics, critical tools to inform and enable dialogue with clients, were applied in a number of IDA countries**.[43] For example, the Bhutan Gender Policy Note reveals that the matrilineal inheritance system, in which property is passed from mothers to eldest daughters, also has unintended consequences. It also notes that the responsibility of looking after ancestral property and elderly parents limits women's migration to urban areas and as a result hinders their chances of pursuing higher education and enjoying economic opportunities.

62. **Mainstreaming gender in Country Assistance Strategy products for IDA countries has improved significantly during IDA16**. This is a welcome trend given that CASs are the framework for all IDA activities at the country level, and have become key vehicles for raising the profile of the gender agenda in policy dialogue, operations and results frameworks. Moreover, joint WBG (IDA, IFC, and MIGA) CASs are helping frame the gender focus in IFC's investment activities. In FY12 and up to Q3 FY13 all IDA CASs were at least "satisfactorily" gender-informed, consistent with the Bank's operational policy. Indeed, all IDA CASs in FY12 were highly satisfactory from a gender perspective, compared to seven out of ten in FY11.[44]

63. **There has been significant progress in integrating gender into IDA operations, consistent with the IDA16 commitments**. This progress is monitored in terms of the extent and depth of gender-informed operations.[45] Eighty-six percent of IDA projects were gender informed in FY12 – representing about US$12.9 billion (or 90 percent) of IDA commitments in FY12 – up from 72 percent of projects and US$10.9 billion (or 75 percent) in FY10 (Figure 3). Almost all regions and networks have seen an increase in the share of gender-informed projects over the period.[46] Moreover, a significant deepening of gender mainstreaming in the lending portfolio is evident, with about 55 percent of IDA operations approved in FY12 being gender-informed in all three dimensions – almost double the share in the preceding two years.

64. **Most networks have also increased the share of gender-informed IDA projects since FY10 although some sectors are lagging.** The Human Development Network (HDN) still leads the way with about 97 percent of projects rated gender-informed in FY12, followed by the Finance and Private Sector Development Network (89 percent) and the Sustainable Development Network (SDN) and the Poverty Reduction and Economic Management (PREM) Networks (both at 82 percent). But within network performance varies (see Figure 4); for the latter, a set of

[43] Afghanistan, Bhutan, Central Africa Republic (CAR), Congo Republic, the Democratic Republic of Congo (DRC), Kenya, Kosovo, Kyrgyz Republic, Lao PDR, Malawi, Moldova, Niger, Papua New Guinea, Vietnam and Yemen.

[44] Satisfactory rating reflects compliance with operational policy (OP 4.20), while "highly satisfactory" means the strategy incorporated gender considerations into all three dimensions - the results framework, the analysis and actions/interventions.

[45] "Gender-informed" means that gender has been taken into account in at least one of three dimensions**: a**nalysis, actions, or monitoring and evaluation. The three dimensional approach is also consistent with how CASs are rated.

[46] For details see "Accelerating Progress on Gender Mainstreaming and Gender-related MDGs, Progress Report", paper prepared for the IDA16 MTR.

concrete actions, focusing on strategic planning, implementation and enhanced monitoring, are being implemented to make progress.[47]

Figure 2: Trends in the Share of Gender-informed Operations

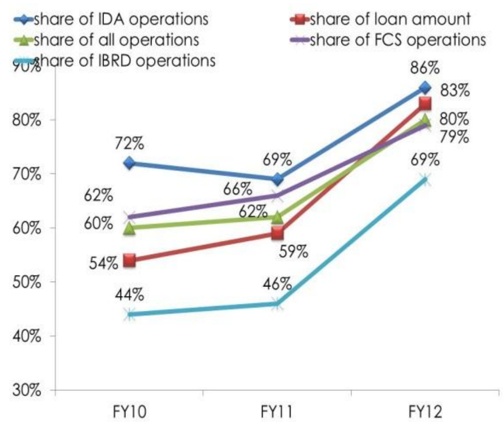
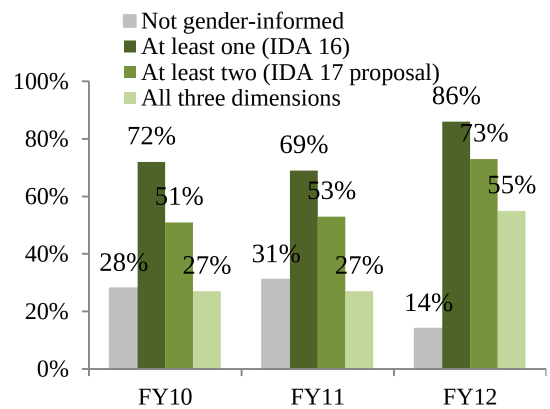


Figure 3: Trends in Gender Mainstreaming in IDA Investments

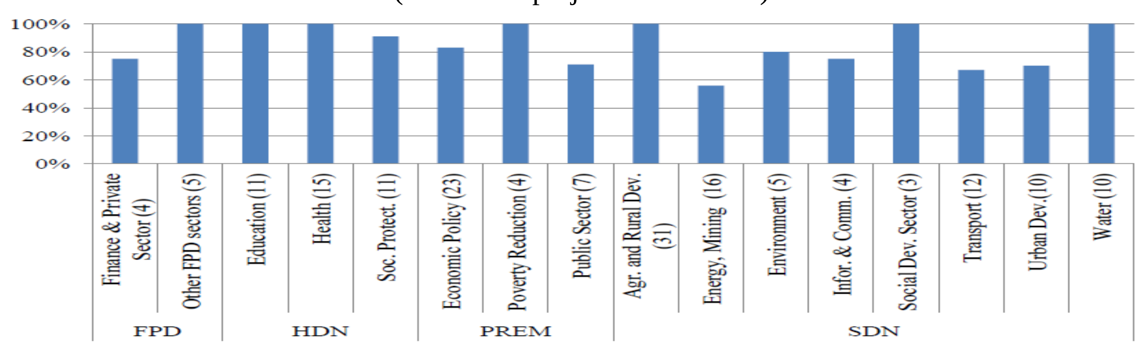
(% of projects that are gender-informed)



Note: Includes all operations – investment lending and development policy lending.

Figure 4: The Share of Gender-Informed IDA Projects Varies Across Sectors in FY12

(number of projects in brackets)



65. **Efforts are ongoing to better integrate gender into IDA's support to Fragile and Conflict-affected States.** All ISNs presented to the Board in FY12 and FY13 to date specifically address gender issues. Operations in FCSs have been increasingly gender-informed, with an increase from 66 percent in FY11 to 83 percent in FY12. In FY12, 69 percent of all operations in FCSs included gender analysis and/or consultations on gender related issues and many (64 percent of all FY12 operations in FCSs) included specific actions to narrow gender disparities. Efforts also continue to improve the availability of gender data in FCSs and to develop gender-relevant knowledge tools tailored to FCS contexts.

---

[47] For details on these actions for the urban development, transport, public sector, energy, EI and other sectors, see IDA16 MTR gender report Op. cit.

66. **Gender targeting and measurement of gender results in IDA operations is also improving**. Many projects – small and large, across a range of sectors – have seen positive gender results, and promising new projects are getting off the ground that specifically target women and girls. Box 4 and the "ABCs of IDA-Gender" brochure present specific examples of these projects.[48]

Box 4: Selected Examples of Gender Results in IDA Operations

- High stunting rates in **Tajikistan** are being addressed through **the IDA-supported Community and Basic Health Project**, which provides food packages and micronutrient supplements to approximately 50,000 women, and children under age 5.
- In **Afghanistan in 2012**, 2.7 million girls were enrolled in schools in 2012, compared to 191,000 in 2002; 43 percent of deliveries took place in institutions, up from 7 percent in 2004; prenatal coverage increased from 6 percent in 2003 to 39 percent; 74 percent of health care facilities had at least one female staff member, up from 54 percent in 2004; and some 20,000 community health workers, half of whom were women, have been trained and deployed throughout the country, increasing access to family planning and boosting childhood vaccinations.
- The **Burundi Health Sector Development Support Project** is a national results-based financing program which has helped to increase: the number of health facility based births by 25 percent; the number of prenatal consultations by 20 percent; the curative care consultations for pregnant women by 35 percent; and has resulted in a 27 percent increase in the provision of family planning services obtained through health facilities during its first year of implementation (FY11).
- Current IDA operations specifically addressing at-risk youth and employment in several FCSs have gender components. This include the **Afghanistan Skills Development Project** (US$20 million from IDA and funding from other donors), the **Liberia** Youth, Employment, Skills Project (US$6 million from IDA and additional funding from the Catalytic Growth Fund), the **Sierra Leone** Youth Employment Support Skills Project (US$20 million from IDA) and the **Côte d'Ivoire** Emergency Youth Employment and Skills Development Project (US$50 million from IDA).
- **The Women's Entrepreneurship Development Project in Ethiopia** (US$50 million IDA) promotes small and medium enterprises owned or partly owned by women through access to microfinance, developing entrepreneurial skills, technology and cluster development, training in project management, advocacy and outreach, monitoring and evaluation, and impact evaluations to provide lessons about what works.
- In **Vietnam.** 32 percent of households in Khanh Hoa and 47 percent in Tien Giang used newly secured land titles as collateral for bank loans between 2007 and 2011; 55 percent of those working in handicraft and businesses, primarily women, used their land titles to access loans.
- 20 million **Pakistanis** were supported during 2008-12 by a targeted cash transfer program disbursing only to female representatives of eligible families; this program contributed to a 40 percent increase in female registration for national identity cards.
- In **Haiti**, an IDA-financed project is focusing on equipping women with the right skills—both technical and financial—to increase crop yields, access markets and increase their incomes.
- The **Yemen Basic Education Development Program** has helped build almost 4,000 classrooms and trained over 90,000 teachers. To close the gender gap in education, the project has provided CCTs to more than 30,000 girls from the most underprivileged rural households. It has also focused on recruiting and training female teachers to make girls' education more culturally acceptable. The gross primary school enrollment rate rose from 68 percent to 87 percent during 1999-2009, with larger gains for girls, whose grade 6 completion rate also rose from 38 to 51 percent in 2009.
- The **multi-country HIV/AIDS program operations in Africa** have focused on addressing gender dynamics in its response to the pandemic, with operations in several countries. In Chad, IDA has funded a project to reduce the transmission and socioeconomic impact of HIV/AIDS by supporting education and income-generating activities for women. In Rwanda, IDA has financed rural access to AIDS care and some 5,000 poor patients, mainly women, benefited from antiretroviral therapy.

67. **IDA has enhanced its efforts to systematically learn from operations on the ground.** Impact evaluation is an important tool, representing a wealth of knowledge that will help to improve the design and implementation of programs and projects. The Africa region, in its Gender Innovation Lab, is strengthening the design and implementation of effective gender

[48] See http://www.worldbank.org/ida/abcs.

policies through increased knowledge about what works. The Lab has launched more than 20 impact evaluations in the areas of agricultural productivity, entrepreneurship and employment, and assets. For example, in 2011 the Agricultural Rehabilitation and Recovery Support Project in the Democratic Republic of the Congo successfully expanded women's access to agricultural services by ensuring that some of the local trainers are female, in response to the evaluation's finding that women's participation was very low. An additional 12 impact evaluations will be launched over the next five years to test more innovative solutions to the challenge of generating good jobs for women.

68. **IDA countries are also benefiting from the WBG's full in-house capacity to facilitate knowledge sharing**, including South-South, to harness the practical knowledge and experience of other countries. For instance, through the South-South Knowledge Exchange Facility Kenyan officials were exposed to best practices from India on gender integration in water resource management and hygiene promotion in urban and rural contexts. They learnt how to incorporate appropriate technologies, such as cell phones for remote operation of pumps in diameter wells, to increase efficiency and improve women's participation, and how to encourage collaboration among ministries and communities to harmonize policies for gender equity, including eliminating land-ownership requirements to get water delivery.

69. **IDA investment lending operations are progressively using beneficiary feedback to enhance accountability and improve service delivery to women**. Beneficiary feedback is a powerful tool to ensure that women's voices are heard and that services are delivered to both men and women equally. In FY12, 44 percent of all operations provided support to develop or use beneficiary feedback such as community-based monitoring systems, community scorecards, or citizen scorecards; up from 22 percent in FY11. For example, the Karnataka Health Systems Project, a US$142 million IDA project in India, is using an innovative feedback system through which pregnant women provide feedback about their health services via handheld devices. The feedback is then integrated into a dashboard that alerts the project management in "real-time" to important health metrics, manages risks and avoids failure.

70. **All Bank regions have completed and are implementing Regional Gender Action Plans (RGAPs)**. The RGAPs set out regional priorities, and include commitments to increase both the number and quality of country-level gender diagnostics and ensure gender mainstreaming in CAS products and operations. RGAPs have increased commitments to gender at the country level. In the East Asia and Pacific (EAP) region, for example, gender monitoring is being rolled out during FY13, and eight countries have completed Country Gender Action Plans and will report on annual achievements. Pursuant to the RGAP for the Latin America and Caribbean (LCR) region, each country management unit has committed to produce one in-depth study to better understand one or more gender constraints.

71. **Capacity building of task team leaders and field-based staff to provide them with the knowledge and resources necessary to address operational challenges in gender mainstreaming has been ramped up**. This includes dedicated gender modules in existing training. In 2012, the Gender and Development Group (PRMGE) offered 23 independent gender-themed learning events, attended by some 1,366 participants, and integrated gender content into courses offered by HDN and SDN. Gender modules are also included in the CAS and Development Policy Lending and in the Economists' Boot Camp. New tools have been developed and are being rolled out to support learning and work on gender equality. These tools are also available to all (clients, partners, etc.), as global public goods (see Box 5).

Box 5: Selected World Bank Gender Mainstreaming Knowledge Tools

- ADePT Gender enables users of household surveys to readily produce tables and graphs to inform policy dialogue around gender. The gender data portal, a one-stop shop for gender information, was launched as part of the Open Data Initiative.
- An e-learning course on Gender and Development developed by WBI, building on the findings of the WDR2012, which has already attracted enrollment from 23 countries.
- The IFC has been working to strengthen the management skills of owners, managers, and staff of Small and Medium Enterprises, through Business Edge — a business-training system delivered by certified local trainers. In 2011, almost 40 percent of the 22,000 individuals trained were women.
- The Women's Economic Empowerment Resource Point bundles and disseminates knowledge about interventions that promotes women as entrepreneurs and employees.

C. IDA's Comparative Advantage in Addressing Gender Equality

72. **IDA is well-placed to work with clients and stakeholders around the world to advance gender equality**. The ramped up efforts on gender equality have been widely welcomed by governments, civil societies and stakeholders around the world. Sustaining the progress to date and addressing new frontiers requires heightened efforts to inform and stimulate country demand, investments in data and knowledge, and leveraging partnerships, both in-country and globally, coupled with an enhanced focus on results.

73. **In addition to impact evaluations being conducted to inform project designs and implementations in IDA countries, IDA is pushing new frontiers of knowledge on gender equality.** A new report on *Women's Voice, Agency and Participation*, to be launched in the spring of 2014, will build on the 2012 WDR's finding that women's voice and agency are central components of gender equality, alongside increasing human and physical endowments and expanding economic opportunities. The 2012 WDR highlighted that, compared to other dimensions of gender equality; limited progress has been made in promoting women's voice and agency (see Box 6).

74. **The combination of knowledge generated through country level diagnostics and impact evaluations coupled with IDA's financing, convening power and relationships at the country level provides a strong platform for gender focused policy dialogue**. IDA can raise the profile of gender in core agencies, like Ministries of Finance and Planning. The country policy dialogue and Country Partnership Strategy (CPS) discussion for Papua New Guinea (PNG) is a good example of the unique capabilities of IDA working jointly with partners. The development of the PNG CPS in 2012/2013 benefitted from a multi-disciplinary, multi-

stakeholder Country Gender Assessment. This led to the core IDA16 commitments on gender equality and fragility and conflict being addressed in the CPS and in a more gender-informed IDA investment portfolio. A rolling 'gender inventory' of the lending portfolio, combined with heightened attention by management at the concept review and decision stages, has resulted in almost 88 percent of the projects in the active IDA portfolio being gender-informed. Also, all four projects considered for additional financing under IDA16 were focused more deeply on gender during their preparation and appraisal.

Box 6: Breaking New Ground: Women's Voice, Agency and Participation

Agency is the ability to use endowments to take advantage of opportunities to achieve desired outcomes. An upcoming report on *Women's Voice, Agency and Participation* will focus on five of the 'expressions' of agency identified by the 2012 WDR as key drivers for expanding gender equality, and where major challenges persist: (i) women's access to and control over resources; (ii) freedom of movement; (iii) freedom from violence; (iv) decision making over sexual and reproductive health and family formation; and (v) having voice in society and influencing policy.

The report will seek to identify proven and promising interventions. It will consider several cross-cutting issues including the effects of different markers of disadvantage (which can intersect with one another), social and cultural norms, the importance of engaging men and boys, the role of collective action, laws and legal institutions, and the role of new technologies. The report will offer policy and operational guidance to the World Bank, policy makers and other partners on the ground interested in advancing gender equality around the world. Moreover, the report will seek to identify methodologies for measuring agency and costing of gender based violence.

www.worldbank.org/gender/agency

75. **IDA's long-term engagement with countries is critical for supporting ambitious goals on gender equality, which often require tackling deep-seated structural inequality.** While global norms like MDGs are important for facilitating dialogue on gender equality at the international level, local norms are most critical in terms of shaping the agency and opportunities of women.[49] Social and cultural norms can and do change over time, but interventions may take time to bear visible results. For example, the National Solidarity Program shows that gender norms can change, even in the most challenging places like Afghanistan; but it was five to six years before real change was seen in terms of women's participation in public life. This is an example of concrete results for women's voice and economic opportunity resulting from a US$400 million IDA investment coupled with US$1 billion from the Afghanistan Reconstruction Trust Fund over the past 10 years.[50]

76. **IDA and IFC collaborate to promote women's roles in the private sector as business leaders, entrepreneurs, employees, consumers and economic stakeholders**. Gender is a cross-cutting issue that affects corporate performance, and IFC provides expertise in this area, combining gender analysis with practical business and policy advice. IFC's Banking on Women Program is leveraging partners and financial institutions worldwide to serve businesses owned and run by women. Since the program began in late 2010, IFC has made 20 investments and has a total portfolio of US$165 million for lending to women-owned small and medium enterprises

[49] See "On Norms and Agency: Conversations about gender equality with women and men in 20 countries," a recent World Bank exploration of social norms, gender roles, and beliefs and perceptions about what constitutes a "good" woman and a "good" man. http://go.worldbank.org/NA4IAUEG70.

[50] Beath, A., Christia, F. and Enikolopov R. "Empowering Women through Development Aid: Evidence from a Field Experiment in Afghanistan," MIT, Political Science Department, 2013, http://ssrn.com/abstract=2070058.

around the world, with investments in Eastern Europe, East Asia and Africa. WINvest, the WBG's global partnership initiative with the private sector on women's employment, focuses on raising awareness on the business rationale and developing guidance on fostering better working conditions and employment opportunities for women.

77. **The Adolescent Girls Initiative (AGI) has demonstrated how partnerships between the World Bank and private foundations can generate knowledge for investment scale up**. The AGI, a partnership between the Bank, the Nike Foundation and donor and recipient country governments, aims to help adolescent girls and young women make a successful transition from school to work. In Nepal, the AGI program supported a Technical and Vocational Education and Training project. The impact evaluation findings were used to improve the monitoring system to ensure that it was reaching girls and meeting their needs. The AGI has also spurred South-South knowledge exchange among developing countries that are part of this initiative.

D. Management Proposal for Scaling Up Gender Mainstreaming in IDA17

78. **The new gender commitments for IDA17 and the associated enhancement of the IDA RMS will promote transformational change, building on what works to improve gender equality and seeking to push new frontiers of knowledge and evidence**. Drawing on the lessons learned from implementation during IDA16, Management proposes to step up IDA's gender-related commitments during IDA17 with five new ambitious policy actions at the country, regional and corporate levels, as described below.

Deepen integration of gender considerations

- **Fuller integration of gender into country strategies**. All IDA CASs will draw on and discuss the findings of a gender assessment, and at least two-thirds of IDA CASs will have highly satisfactory integration of gender, by integrating gender considerations into the analysis, content of the program and the results frameworks.

- **Deeper integration of gender into lending operations** so that at least two-thirds of IDA operations have gender-informed analysis and follow up.

- **Regional Gender Action Plans (RGAPs)**. All regions have completed preparation of RGAPs. All RGAPs which were launched during IDA16 are under implementation and monitored by the regional vice presidents.

Improve monitoring, learning and innovations to enhance results and impact

- **Strengthen Knowledge on gender**. Efforts will be stepped up to strengthen knowledge of what does and does not work in IDA countries through monitoring and evaluation, including impact evaluations on gender issues, tracking of gender results of IDA operations using sex-disaggregated core sector indicators (CSIs) and expanded use of beneficiary feedback mechanisms.

- **Improve sex-disaggregated and gender relevant data**. The lack of gender-relevant data in key domains constrains the design of policy actions and programs to advance gender equality. IDA has a unique capability to contribute and invest in gender data, including through investments in data collection and support for national statistical systems. In countries that lack the capacity to produce, or to use, timely and reliable statistics, a system-wide approach to capacity building is needed. This requires supporting them to build statistical capacity and improving data availability and quality. Under IDA17, IDA will roll out statistical activities to improve sex-disaggregated and gender-relevant data in at least 15 IDA countries.

79. **In addition to the above policy commitments, Management proposes to enhance the IDA RMS during IDA17 to improve and better utilize new data and knowledge on gender**. Proposed changes in Tier 1 (IDA countries progress) indicators for IDA17 include the addition of gender disaggregated data for two indicators (employment to population ratio and bank accounts per 1,000 adults) and a new indicator on contraceptive prevalence for women aged 15-49 years. In Tier 3 (IDA operational effectiveness), two performance standards will be included related to gender: (1) proportion of IDA country strategies that draw on and discuss the findings of a gender assessment; proportion of IDA country strategies that incorporate gender considerations into the analysis, content of the program and the results framework; and (2) proportion of IDA operations that have gender-informed analysis and follow up.

80. **The IDA17 policy commitments and the RMS indicators will be complemented by continued efforts to monitor progress on a regular basis, with special attention to lagging sectors**. For example, implementation of SDN's gender action plan will be monitored on a regular basis. CSIs will be used to fully track gender related and sex-disaggregated results of IDA operations.[51] Feedback from both male and female beneficiaries will be used to enhance accountability and improve service delivery. CSIs are also being used to track gender specific results of IDA operations. To date, CSIs have been introduced for 24 sectors and themes. A total of 31 CSIs are disaggregated by sex, and projects with direct beneficiaries are advised to report and track the number and percentage of female beneficiaries. Sector-specific indicators are also disaggregated by sex where relevant. During IDA17, additional efforts will be directed at continuing to disaggregate indicators by sex to allow stakeholders to better monitor the development outcomes on women and girls. Specifically, new guidance on data collection and reporting will be prepared to support the proper tracking of gender disaggregated indicators. This will build on lessons learned and the possibilities associated with new technologies to recommend innovative and effective ways to collect sex-disaggregated data and report gender specific outcomes.

81. **IDA has strengthened partnerships on gender equality work in important new ways.** These include the Part II country representation on the Bank's new Advisory Council on Gender and Development;[52] the launch of WINvest (a new iteration of the Private Sector Leaders

---

[51] CSIs are output or outcome indicators of WBG operations that are strategically relevant to a particular sector.

[52] Launched in September 2011, the Advisory Council on Gender and Development is made up of minister-level representatives from predominantly Part II countries, academia, CSOs, and private sector, meeting at least twice a year to consider progress on and constraints to gender equality, provide feedback on the Bank's work on gender equality, and promote collaboration.

Forum); increased collaboration with UN Women; and the new Umbrella Facility for Gender Equality. A strong platform for collaboration with UN Women has been established, including through the Advisory Council, where its Executive Director is a member and an active contributor in key areas such as economic empowerment and voice and agency. Most major events have been held in partnership, including with UN Women, the United Nations Foundation, Multilateral Development Banks (MDBs) and the Organisation for Economic Co-operation and Development (OECD) among others.[53]

V. CLIMATE CHANGE

A. Introduction

82. **Climate change is more rapid than was envisaged just a decade ago**. Temperatures have risen 0.8^{o}C since the pre-industrial era. The twelve years from 2001 to 2012 rank among the warmest since record keeping began 133 years ago. The frequency, intensity and duration of extreme weather-related events have increased. As a result of the greenhouse gases (GHG) already emitted and due to inertia in the atmosphere and oceans, changes in the Earth's systems and subsequent impacts will continue in the coming decades.[54]

83. **Recent findings from the *Turn Down the Heat* Report[55] suggest that the rate and magnitude of changes in climate and the subsequent impacts will severely test our ability to adapt** if we delay actions to reduce emissions and build resilience. IDA countries will be among the most affected through, for example, changes in rainfall patterns, floods and droughts, increasing temperatures, storm surges, rising sea levels and changes in agricultural productivity. Climate change is not just an environment challenge; it presents a fundamental threat to economic development and the fight against poverty. The livelihoods of those least able to adapt – the poor and most vulnerable – will be impacted the most. Adverse impacts of climate change are particularly likely to affect climate sensitive sectors/areas such as agriculture, water resources, cities, drylands and coastal communities.

---

[53] For example: the December 2011 launch of a PPP on women's access to capital between Denmark, the US, and the Goldman Sachs 10,000 Women Initiative; a March 2012 event on CEDAW and Women's Rights, co-hosted with the Nordic Trust Fund, the Leadership Conference Education Fund, and the UN Foundation; an April 2012 panel discussion on New Frontiers in Women's Empowerment and Voice; a side event at the 56th Commission on the Status of Women focused on the 2012 WDR; several sessions at the Busan High-Level Forum co-organized with the OECD and UN Women; and, the April 2013 high-level event on the Equal Futures Partnership hosted by the World Bank President and the US Secretary of the Treasury at the time of the 2013 Spring Meetings and with founding and incoming members of the partnership.

[54] Intergovernamental Panel on Climate Change (IPCC) 2007, 2012.

[55] See "Turn Down the Heat", World Bank, 2012.

84. **Climate related impacts will be compounded by ongoing social, economic and environmental pressures** (Box 7). Current unsustainable growth patterns are leading to land degradation, loss of biodiversity, air pollution, water scarcity and wasteful production and consumption patterns. Poor development planning results in people and physical capital becoming increasingly vulnerable to climate-related risks and fails to take into account the future stresses. Settlements in urban coastal areas and flood plains face additional challenges as a result of poor urban planning, inadequate building standards and degraded rural and peri-urban protective ecosystems.[56] Climate change thus risks putting prosperity out of the reach of millions of people in IDA countries and threatens to roll back decades of development gains. As noted in the 2012 evaluation from the Independent Evaluation Group (IEG) "Adapting to Climate Change", preparing to manage and reduce climate risks is therefore an essential part of development in the 21st century.

Box 7: **Possible Climate Change Impacts in Sub-Saharan Africa**

The *Turn Down the Heat* report indicates that with 4°C or more of warming, impacts across sectors may interact in complex ways with one another, producing potentially cascading effects that are largely unpredictable. In sub-Saharan Africa this could result in:

- 35 percent of cropland becoming unsuitable for cultivation;
- 13–23 percent decrease in crop yields for maize production;
- 50 percent increase in the probability for malaria transmission as a result of new species of mosquitoes becoming established;
- effects on agriculture and ecosystems would further compound the direct impacts on human health by increasing the rates of undernutrition and reduced incomes, ultimately producing negative repercussions for economic growth; and
- increases in population displacement could heighten the likelihood of conflict as resources become more scarce.

85. **Addressing climate change is a complex development issue that requires tackling interlinked policy, technology and finance challenges to change human behavior and decisions**. It will require policies and programs that provide incentives for engagement of, and synergies between, the public and private sector to address climate change, and efficiently and effectively make use of environmental and social capital. Furthermore, policies will need to remain flexible and responsive to changing climate signals. Scaled-up implementation of known policy and technology solutions, enhanced innovation, incentives for behavioral change and sustainable long-term finance will be essential. The Bank's report on the Economics of Adaptation to Climate Change emphasized the need for economic development that builds resilience in vulnerable populations and climate-proofs infrastructure as the "best hope for adaptation to climate change".[57] Combining this risk management approach with low carbon and resource efficient development pathways will contribute to present and future prosperity of people and the planet.

86. **Support for IDA countries will need to be prioritized for major development sectors most vulnerable to the impacts of climate change**. Areas for increased focus should include: (1) water and agriculture – many IDA countries are water scarce and much of their GDP depends on agriculture, thus managing risks to these climate sensitive sectors is essential for human health and food security; (2) infrastructure, often located in urban and coastal areas – decisions on the location of long-lived assets and building standards and codes are imperative for their long-term duration; (3) ecosystem management and sustainability – ecosystems are an essential

---

[56] IPCC 2007, 2012.

[57] See "The Economics of Adaptation to Climate Change", World Bank, 2010.

pillar for reducing poverty, improving prosperity and enhancing resilience to changing climate;[58] and (4) increased resilience of the poorest people and communities through mechanisms such as social safety nets. In addition, mitigation opportunities in IDA countries include providing support for more sustainable land and forest management, clean energy use/development (such as geothermal and hydropower) and energy efficiency, and the creation of sustainable urban transport systems.

87. **Support for managing increasing climate-related disasters will be essential for IDA countries**. Of 22,000 extreme events recorded between 1980 and 2011, 78 percent were climate-related, caused by storms, droughts, floods, landslides, extreme temperatures, heat waves, and forest fires. They caused economic losses of US$2,600 billion (or 74 percent of the total losses from natural disasters) equating to an annual average loss of $83.8 billion per year. Between 1980 and 2011, 9 percent of all disaster events and 48 percent of the fatalities were in IDA countries, with a higher proportion of women affected. Similarly, although absolute figures of damages from natural disasters are higher for richer countries, damages as a ratio of GDP are higher for IDA countries: in 2009, seven of the ten countries whose GDP were impacted most by natural disasters were IDA countries – these 2009 figures are consistent with previous years. The impact of natural disasters is higher in poorer countries partly due to their insufficient capacity to manage risks ex ante and ex post response to disasters. At the same time, climate change, rapid urbanization and environmental degradation continue to add new vulnerabilities. Policy options and investments that, for example, avoid locating infrastructure and buildings in high risk zones, instigate early warning systems, and assist the poor will improve resilience and reduce vulnerability and exposure to climate-related risks. Low cost investments such as wind resistant structures, flood protection, and backup power supplies can dramatically reduce the costs and impacts.[59] Integrating climate and disaster-risk management will thus help better prepare for/enhance the response to greater risks of current and future climate-related disasters.

88. **There is thus an urgent need and increasing demand from IDA countries to reduce the vulnerability of people, their assets, livelihood and economies to climate related risks.** This coming decade provides an opportunity for IDA countries to develop in a way that fully integrates the risks of climate change and natural hazards. To be sustainable, development will need to be inclusive, resilient to vulnerabilities arising from climate change and other pressures, low carbon, and efficient in the use of natural capital. Viewing longer-term development through a climate lens is a must for infrastructure and land-use planning.

89. **IDA countries' climate resilient development agenda should continue to build on lessons learned**. Lessons should be drawn from the implementation of climate actions in IDA countries and experiences in other countries. Lessons on how MDBs, bilateral donors and the private sector worked together to support such activities would be important. The deliberations and decisions of the United Nations Framework Convention on Climate Change (UNFCCC) should also inform this work.

---

[58] Griggs et al., "Sustainable development goals for people and planet" *Nature*, 495, 305-307. http://www.nature.com/nature/journal/v495/n7441/full/495305a.html

[59] See Sendai Report, 2012; Natural Hazards UnNatural Disasters Report,

90. **Enhancing climate resilience in IDA countries will require additional finance for development, collaboration and partnership**. Using figures from the Pilot Program for Climate Resilience (PPCR)-related work, enhancing resilience in IDA countries is likely to add about 25-30 percent to the costs of development with the largest increase being in sub-Saharan Africa and small island states. The increased cost, for example, is associated with climate proofing of projects which may require additional design features and climate related specifications, multi-sectoral planning, strengthening of capacity and institutions, development and use of standards and codes for infrastructure that include the increased frequency and intensity of climate risks, increased maintenance of infrastructure, and/or providing communities with funds to help in recovery efforts. Funding those projected costs on top of current needs will be one of the key challenges for IDA countries.

91. **In addition to financial resources, efforts to strengthen institutional and human resources will be necessary, especially in IDA LICs with limited capacity and country systems to address the challenges of climate change**. Support must ensure multi-sectoral and multi-stakeholder engagement, policies, and legal and institutional frameworks to design and deliver climate resilient and low carbon development. Resources are needed to gather baseline information; systematically assess and prioritize climate risks and opportunities; set up policies and institutional structures to implement actions; and monitor and evaluate results. Experience from the CIFs and the GFDRR shows the importance of having initial funds for implementation of high priority and innovative ideas to support learning by doing. Such approaches will open the door to opportunities for complementarities between IDA and other financial mechanisms for actions on climate change.

B. Progress in Promoting Climate Change Resilience

92. **Progress continues to be made in implementing climate change actions agreed for the IDA16 period**. All IDA CASs products finalized in FY12 and up to Q3 of FY13 included a discussion of risks from climate variability and change to people, assets, livelihoods and ecosystems (Box 8). In addition, 75 percent of the IDA CASs completed in FY12 recognize natural hazards as a challenge to sustainable development, compared to 46 percent in FY07. IDA lending commitments with adaptation co-benefits totaled US$2.3 billion in 23 countries in FY12; those with mitigation co-benefits totaled US$2.3 billion in 29 countries in the same year. Between FY07 and FY12, IDA fully or partly financed 131 disaster-related projects totaling US$8.4 billion. Many of these investments have a primary focus on traditional sectors such as water, urban development or natural resource management. DPOs are also emerging as an important vehicle for supporting clients' climate change policy and institutional developments needed to tackle climate change.

93. **IDA16 commitments spurred analytical work and tools for incorporating climate risks**. In FY12, the World Bank rolled out a system to separately track adaptation and mitigation co-benefits for new projects at the most detailed level of financing information available. This important breakthrough enables IDA to consistently monitor and report financing commitments with adaptation and mitigation co-benefits. Highlights of analytical work and technical assistance include a major climate risks analysis in Niger Basin riparian countries to enhance the

climate resilience of the basin's US$8 billion investment plan, individual country climate change assessments and public expenditure reviews on climate change issues. IDA is also helping countries develop national-level platforms that bring data from different stakeholders and ministries together to inform decisions on disaster risk management and adaptation. In addition, a number of sector specific climate risk screening tools have been developed and are being tested. They help assess climate risks and possible measures to reduce them in projects in six key sub-sectors (urban water and sanitation, irrigation and drainage, dams and reservoir, land and soil management, roads and coastal flood protection). These are made widely available through various knowledge platforms. Analytical and advisory services in the areas of disaster risk governance, assessment and monitoring, mitigation, financing and preparedness have been scaled up.[60] Also, in the aftermath of major natural disasters, Post Disaster Needs Assessments have been carried out, supporting the formulation of longer-term strategy and action plans for sustainable recovery and reconstruction, delivering a coordinated system of international assistance to disaster-affected countries and helping mainstream disaster risk reduction into country development strategies (e.g., Haiti, Horn of Africa and Sahel regions).

Box 8: Discussion of Climate Change in Country Strategies in IDA16

Niger's vulnerability to frequent weather shocks has impacts on housing, agriculture, livestock, business, industry and soil degradation with implications on soil fertility. Between 1980 and 2012, 10 major episodes of drought have been recorded. The food crisis resulting from the 2011 drought affected more than 7 million people or half of the country's total population. Recent floods in August 2012 adversely affected more than 500,000 people of which at least 176,000 were rendered homeless. The FY13-FY16 Niger CPS includes as strategic objectives and outcomes the increased adoption of climate resilience policies and actions in targeted communes. IDA's support will include financing and knowledge activities for enhanced disaster risk management and operations, economic and sector work and technical assistance.

India is highly vulnerable to climate change because of high levels of poverty, high population density, heavy reliance on natural resources and an environment already under stress. Under an increase in mean annual temperatures of 1.1º to 2.3º celsius, the risk of increased frequency and severity of natural hazards is likely to increase, and densely populated cities will be at extreme risk. Institutions and mechanisms for enhanced disaster risk management and climate resilience, especially in agriculture and water-intensive sectors, are either weak or nonexistent. While India has a relatively low-carbon economy today, GHG emissions are projected to grow over the next decade. Through the FY13-FY17 CPS, IDA, IBRD and IFC will support improved disaster risk management though financing and knowledge activities, and reduced GHG emissions through energy efficiency and renewable energy production.

94. **Projects that specifically address the effects of climate change and disaster risk management are showing results in IDA countries**. These include interventions to support the expansion of land and water management technologies; protect forests, grassland, coastal freshwater and agricultural ecosystems; mainstream hazard risk management into land use planning; reduce GHG emissions in transport; and strengthen the capacity of country and regional institutions (for weather forecasting, water resource monitoring, land use information, disaster preparedness, risk management, and planning and coordination – see Box 9 for specific examples). IDA is also increasingly asked to support regional transformational projects that help reduce dependence on costly and polluting oil and coal resources while addressing crippling energy shortages; improve the performance of existing water investments; and enhance resilience

[60] Examples to strengthen risk assessment include national risk maps and/or platforms in Madagascar, Mozambique, Malawi, Senegal, Yemen and the Caribbean. Other activities support innovative risk management solutions: agriculture insurance in Bangladesh and Nepal, index-based weather insurance study for the cotton sector in Burkina Faso, and the Africa Drought Insurance Pool Feasibility Study.

to floods, drought and other disasters. For example, the development of Nepal's estimated 80,000 MW+ in hydropower capacity would significantly reduce India's and South Asia's dependence on oil and coal; the Mozambique regional power transmission project would help substitute high carbon generation in the Southern Africa region with hydropower; the enhancement of Africa weather and hydrological forecasting and information access would contribute to the continent's adaptability to climate variability; and the Lake Chad sustainable water and land management would support the ecosystems and biodiversity and enhance livelihoods.

Box 9: IDA Projects Addressing Climate Change and Disaster Risk Management

In **Bangladesh**, the IDA-financed Rural Electrification and Renewable Energy Development Project has supported the country's efforts to increase access to electricity in rural areas. Since 2002, 2 million remote households and rural shops have been provided with solar home systems (SHS); 50,000 SHSs have been installed every month, making it the fastest SHS program in the world; and 650,000 new consumers have been connected to the grid since 2009. The project also supported the deployment of 10 million energy efficient compact fluorescent lamps (CFL) to reduce peak demand. A follow up project approved in 2012 is expected to provide electricity to an additional 2.5 million people through the installation of SHSs in remote villages, clean cooking solutions for over 1 million people, thus reducing respiratory diseases, and distribution of CFL bulbs.

In **Nigeria**, the Lagos Urban Transport partnership between the Government and IDA led to a new bus rapid transit (BRT) line in 2007. Building on this, a new project approved in 2010 blends IDA and GEF resources to support GHG emission reductions. It aims to reduce CO2 emissions from vehicles along BRT corridors by more than 1 million tons CO2.

The **Ghana Natural Resource and Environmental DPO** series supported the drafting of a national climate change strategy, while the first operation of a programmatic Climate Change DPO series of three operations in Vietnam approved in FY12 is supporting policies and institutional capacity strengthening to promote climate resilient and lower carbon intensity development.

The IDA-financed **Natural Disaster Risk Management Project** (US$160 million), launched in 2006, helped **Vietnam** improve its capacity for integrated natural disaster risk management at both national and provincial levels. It improved disaster prevention infrastructure projects, including dams, safe-harbors and flood control works. Thirty communes implemented Safer Commune Plans, with mitigation infrastructure, training and appointment of disaster management facilitators. These plans, benefiting 210,000 villagers, have proven effective for 2009, 2010, and 2011 typhoons/floods. The Government based its US$500 million national community-based disaster risk management program on the approach piloted under this project and announced that it would replicate it in 6,000 communes.

In the **Caribbean**, a series of IDA projects helped create the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The CCRIF ensures that Caribbean countries, among the most exposed to natural disasters in the world, have rapid access to emergency financing after severe weather events. Several countries have already used this facility. Designed with the support of the Bank as the first multi-country natural disaster risk pool and parametric insurance facility in the world, the CCRIF can offer members hurricane and earthquake insurance at a price 45-50 percent lower than they might be able to obtain directly from insurance markets. Financial risk transfer must be complemented by policy reforms and physical investments to strengthen the disaster resilience of public and private assets. Based on this experience, in 2013 five **Pacific islands** launched the Pacific Catastrophe Risk Insurance Pilot, linking immediate post-disaster insurance payouts to specific hazard events.

95. **Improved awareness and analysis is proving to be a pre-requisite for climate resilient development**. Engaging key stakeholders, gathering information, developing partnerships, and designing monitoring and reporting frameworks are essential for implementation. Experience shows that analytical work to articulate and quantify the potential costs of current climate risks to development and the costs and opportunities to move to climate smart options is important for elevating climate change as a development issue into key ministries. Such analysis can inform broad planning efforts and help prioritize climate resilient and low carbon actions and investments. Approaches and institutional structures to enhance implementation preparedness are emerging in activities supported by a number of funds and

processes (see Annex 4). The implementation preparedness is also helping IDA countries access funding through multiple sources to address climate change, disaster-related risks and environmental sustainability in the context of development.

96. **IDA continues to play a crucial role in helping leverage additional development funds for climate change and in providing a comprehensive development platform for its clients**. IDA's broad range of instruments and its country-based model to support national development priorities have increasingly been used as a platform for climate-change funding from various trust funds. During IDA16, IDA continued to help countries access other sources of finance, notably through the Global Environment Facility (GEF), the Global Facility for Disaster Reduction and Recovery (GFDRR), the CIF and the Forest Carbon Partnership Facility (FCPF). The World Bank has also continued to partner in major joint initiatives with the UN system, other MDBs, the OECD and other institutions. Examples of ongoing partnerships for climate change and disaster risk management include: the Development of the Climate Finance Options Knowledge Platform with the UN Development Programme; cooperation with the OECD, other MDBs and several non-governmental organizations in improving the reliability and transparency of monitoring and reporting on climate change flows; the SIDS Dock Support Program to assist with the introduction of renewable energy and energy efficiency among small island states.

C. IDA's Comparative Advantage in Supporting Climate-Resilient Development

97. **Given that resilience to climate change is an integral part of development, IDA is in a strong position to blend climate and development finance to support climate action**. An equitable and effective solution to the global challenge of reaching a climate deal must recognize the varying needs and constraints of low income countries, and assist them with finance, knowledge, policies, technology and investments to meet this challenge. It also needs to move from an ad hoc and often a piecemeal climate" adaptation project" approach to a systematic and comprehensive approach that impacts country plans and policies at scale. IDA is uniquely placed to play a critical leadership role in helping mainstream climate resilience and low carbon considerations in the national development processes of IDA countries. IDA's comparative advantage lies in its ability to offer a unique combination of tools and resources to promote climate resilient development by integrating state-of-the-art knowledge, investment, policy support and capacity to help establish mechanisms for effective implementation – all with a strong focus on results. Furthermore, IDA has been instrumental in delivering fast responses for post-disaster recovery efforts, and in supporting disaster preparedness, by combining its financing, advice and convening power.

98. **IDA is providing core development finance to strengthen resilience to climate change and has the ability to further scale up this support.** Ending extreme poverty and boosting shared prosperity will be more costly in a climate stressed environment. Increased financing is needed urgently to equip IDA countries with the necessary resources to effectively and efficiently respond to the challenges of climate change and disaster risk management. Immediate action to respond to climate change will be more cost effective and efficient than delaying action into the future. Currently, core development finance and climate finance are

separate budget lines in several partner countries. This results in fragmentation, higher transaction costs and less efficient use of these resources. IDA can use climate finance in a seamless manner to support and scale up climate resilient development.

99. **IDA provides a strong vehicle and an effective channel for leveraging the Green Climate Fund (GCF) and other sources of climate finance with its own funds** (see Box 10). As a critical source of core development financing, IDA can effectively and efficiently mainstream climate finance to optimize development gains. This will further incentivize IDA countries to shift towards climate resilient development.

Box 10: The Green Climate Fund

In December 2011, parties to the UNFCCC established the GCF. The GCF aims to promote a paradigm shift towards low emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their GHG emissions and to adapt to the impacts of climate change.

The Board of the GCF is currently working to elaborate its Business Model Framework. The fund is unlikely to be capitalized before the Business Model Framework is agreed and a Secretariat established. The GCF governing instrument aims to enhance complementarity between its activities and the activities of other funding mechanisms and institutions to better mobilize the full range of financial and technical capacities of the international community.

100. **Enhanced synergies among IDA, IFC and MIGA will help engage the private sector, provide risk coverage and leverage funding to help deliver effective climate resilient and low carbon development**. Given the long-term frameworks and commitments needed for climate action, targeting risks that hamper climate-related investment, notably those for which the gaps between the intensity of perceived risks and the supply of risk coverage are the most acute, is important. This includes, for example, perceived risks associated with the most prospective technologies, the revision of policy frameworks (e.g., feed-in tariffs), and access to financing and liquidity. Working together, the breath of instruments and options that IDA, IFC and MIGA offer can be structured to leverage limited resources and significantly contribute to influence and incentivize the private sector.

101. **IDA resources, investments and the country dialogue have increasingly been used as a platform to leverage and use climate change funding** from various trust funds. During IDA15, IDA staff worked with other donors to design and implement new financing mechanisms for climate actions and enhance coordination in implementing climate actions in IDA countries. During IDA16, IDA continued to help countries access other sources of finance, notably through the Climate Investment Funds, the GEF, the FCPC, and the GFDRR (for a detailed discussion of these funds, see "Achieving Climate Resilient Development-Progress Report" prepared for the IDA16 MTR). These and other funds support the piloting of innovative approaches and provide a mechanism to learn by doing. They are thus highly complementary to IDA. Continuing to enhance collaboration and cooperation among different programs/funds will further help reduce transaction costs and strengthen climate resilient development outcomes.

102. **The systematic integration of climate related risks and benefits into government dialogue and development planning processes is important for sustainable development and poverty alleviation.** While this will increase the upfront costs for planning, project preparation and implementation, the alternative would potentially result in the waste of limited

financial resources through stranded assets and/or costly retrofits. Delayed and insufficient action is adding to the risk of development losses in vulnerable countries and communities. IDA can help countries overcome such risks, shift towards a climate resilient path, and access and blend finance from different sources. By engaging across sectors, stakeholders, and inter-ministerial institutions, IDA can bring together preparedness efforts for climate and seismic risks. The commitments listed below can help IDA make progress on such outcomes.

D. Management Proposal for Scaling Up Climate Change and Disaster Risk Management

103. **The new climate change and disaster risk management commitments for IDA 17 and the enhancement of the IDA RMS will help IDA countries shift towards a climate resilient path.** As part of broader efforts to promote transformational change, Management proposes to step up IDA's climate change and disaster risk management-related commitments during IDA17 with five new ambitious actions. They build on lessons learned from the implementation of IDA16 commitments and various efforts on climate and disaster risk management, such as those through the PPCR, GFDRR and forest and carbon funds. The commitments are aligned with recommendations from the IEG evaluations related to climate change from all three phases.[61] The commitments explicitly support the conclusions of the Sendai Report on Managing Disaster Risk for Resilient Development to better align risk management to current climate extremes and prepare and adapt to the changes to come. These proposed policy commitments and efforts will contribute to poverty eradication, shared prosperity, environment, social and economic sustainability and the goals of the Sustainable Energy for All Initiative. Specifically, the Management proposed policy commitments for IDA 17 are the following:

Strengthen climate and disaster risk management in country strategies and programs for sustainable development outcomes

- **Full integration of climate change and disaster risk management into country strategies**. All IDA CASs will discuss climate change vulnerabilities and disaster risk management as part of the discussion of the country's development challenges and priorities, and include resilience activities when requested by the recipient country. This will build on the IDA16 commitments and various efforts on climate change resilience and disaster risk management, such as those through the PPCR, GFDRR and forest and carbon funds (see Annex 4), and will be informed by analysis on resilient development.

- **Support development of planning and investment capacity**. IDA will scale up support to IDA countries to develop and implement country-led, multi-sectoral plans and investments for managing climate and disaster risk management in development. This will be critical to help shift from an ad-hoc, project-based approach to the

[61] See "Phase I - An Evaluation of World Bank, Win-Win Energy Policy Reforms" (2009); "Phase II - The Challenge of Low-Carbon Development, Climate Change and the World Bank Group" (2010); and "Phase III: Adapting to Climate Change: Assessing WBG Experience" (2012). IEG, World Bank.

systematic consideration of climate risks in country plans at scale. It will also help establish mechanisms for effective implementation.

- **Deeper integration of climate change and disaster risk management in lending operations**. All new IDA operations will be screened for short- and long-term climate change and, where applicable, disaster risks, and where risks exist, will integrate appropriate resilience measures. IDA has developed screening tools to support the identification of near- and long-term climate and climate-related disaster risks that could impact proposed activities and investments for select sectors sensitive to climate change. These tools are being piloted by task teams in selected countries for agriculture, water, road, and coastal zone projects. Tools will be developed to assess risks for other climate sensitive sectors, especially infrastructure other than roads, urban planning and natural resource management. Where risks exist, resilience measures will be identified and where adequate, integrated with financial support to cover associated costs. Resilience measures could include strengthening the use of contingent financing and other instruments embedded within operations. This would align IDA's actions with the conclusions of the Sendai Report on Managing Disaster Risk for Resilient Development to better align risk management to current climate extremes and prepare and adapt to the changes to come.

- **Support efforts to achieve the Sustainable Energy for All objectives (SE4ALL**). Support will be provided to IDA countries to develop national energy action plans and investment prospectuses to achieve universal access to energy by 2030. The SE4ALL[62] is a broad coalition of public, private and civil society actors partnering to support the achievement of three global energy sector objectives for the year 2030: (i) achieving universal energy access to electricity and modern cooking fuels; (ii) doubling the rate of improvement of energy efficiency; and (iii) doubling the share of renewable energy in the global energy mix. Analysis suggests that meeting all three SE4ALL objectives will increase the probability of limiting global warming to two degrees Celsius. The development of national energy action plans and investment prospectuses will look at a mix of options including renewable energy and energy efficiency and will support activities for creating the enabling environment to attract private sector capital and implementation capacity.

Strengthen monitoring and reporting of IDA resources used for climate change mitigation and adaptation

- Monitoring and reporting will be enhanced by: (1) expanding the climate finance coding system to cover tracking of Economic and Sector Work and Technical Assistance with climate co-benefits in IDA countries; and (2) piloting a coding system to measure the share of IDA investments with disaster risk management co-benefits. These coding efforts will be important for measuring the implementation of the proposed investments plans and the progress of IDA countries to move towards climate resilient development.

---

62 SE4ALL is co-chaired by the UN Secretary General and the President of the World Bank.

104. **In addition to the above policy commitments, Management proposes to enhance the IDA RMS during IDA17 to improve and better utilize new data and knowledge on climate change and disaster risk management**. Proposed changes in Tier 1 (IDA countries progress) indicators for IDA17 include the addition of the indicator "deforestation rate". In Tier 3 (IDA operational effectiveness), two performance standards will be included related to climate change and disaster risk management: (1) proportion of IDA CASs that discuss climate change vulnerabilities and disaster risk management; and (2) proportion of IDA operations with climate change co-benefits (percent of IDA commitments).

VI. FRAGILE AND CONFLICT-AFFECTED STATES

A. Introduction

105. **One of the great development challenges of our time is to help Fragile and Conflict-affected States find a path towards sustainable peace and development**.[63] Countries affected by fragility and conflict face political, security, economic and environmental stresses that cannot be mitigated by their weak institutions. As a result, they experience repeated disruptions in their development progress with several of them seemingly caught in a so-called "fragility trap".[64] The persistent nature of fragility and conflict and the long time required to reform essential institutions to "good enough" governance, raise two fundamental questions in the context of the broader development agenda of the international community.[65] Specifically: (i) how can FCSs break out of fragility and embark on a path to sustainable development? and (ii) how can the international community best support the efforts of FCSs to build resilience? Recent research, including in the context of the 2011 WDR on Conflict, Security and Development, has shed light on these two issues.[66]

106. **Overcoming fragility and conflict requires sustained efforts by the national leadership to strengthen legitimate institutions and governance to provide security, justice and jobs**. Addressing the causes of fragility and conflict can unlock significant development potential.[67] But this is a complex process subject to many risks and the possibility of reversals. It involves restoring confidence in collective action before embarking on wider institutional transformation. Resilience is rarely achieved through one decisive "make or break" moment. Most often, it involves the seizing of opportunities for change at several critical moments.

---

[63] The term FCS in this document refers to a country that: (i) have a harmonized average Country Policy and Institutional Assessment (CPIA) rating of 3.2 or less (or no CPIA); or (ii) have or have had a UN and/or regional peace-keeping or peace-building mission during the past three years.

[64] A "fragility trap" is defined as a low-level equilibrium with self-reinforcing features of weak institutions, low investment, slow growth and the possibility of repeated cycles of violence (Andrimihaja, Cinyabuguma and Devarajan (Nov 2011), "Avoiding the Fragility Trap in Africa," World Bank Africa Region Policy Research Working Paper 5884).

[65] Evidence on the persistent nature of fragility and conflict is provided by the research on fragility traps. Under this strand of research, the probability that a FCS in 2001 remained fragile in 2009 has been estimated at 0.95.

[66] See: http://go.worldbank.org/QLKJWJB8X0.

[67] A key message from the 2011 WDR is that despite tremendous challenges, several FCSs can find their own way out of fragility and achieve significant development progress. For a detailed discussion see http://go.worldbank.org/NVS5ERWAY0 and http://go.worldbank.org/ZEPJOFJEW0.

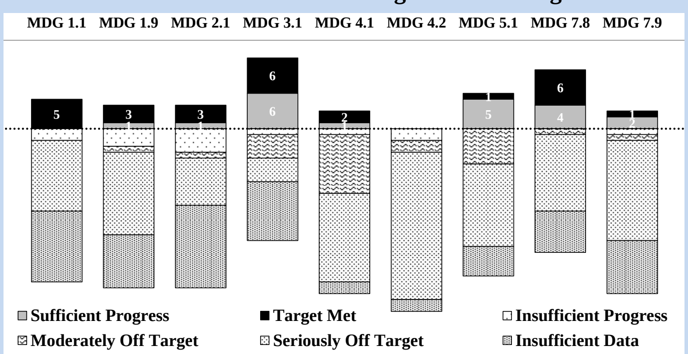
Persuading stakeholders to work collaboratively requires signals of a real break with the past: ending the political or economic exclusion of marginalized groups (giving them a stake in society that would stop them from engaging in violence) and addressing corruption and abuses. The process of building on successes enables space for trust, collaborative norms and capacities to develop. In moments of opportunity or crisis, fast and visible results also help restore confidence in the government's ability to deal with violent threats and implement institutional and social change. The lack of trust and capacity in societies affected by fragility and conflict also requires a careful sequencing and pacing of institutional reform that can span over decades.

107. **The international community has an important role in supporting the long-term transformation process in FCSs**. The 2011 WDR and the literature on "fragility traps" stress the key role of external support in helping FCSs to move out from fragility. Given the magnitude of the challenge (see Box 11), and the continued difficulties in channeling international assistance effectively in these environments, the 2011 WDR calls for a paradigm shift in the international approach to delivering assistance with strong emphasis on country ownership, strengthening country systems and coordinating donor support around a country-led assessment to define a pathway out of fragility. These principles were further endorsed by a wide range of FCSs and partners in the New Deal.

Box 11: FCSs Progress Towards Meeting the MDG Targets

Despite overwhelming challenges, some FCSs have made progress towards meeting the MDG targets. To date, 16 IDA FCSs have met one or more MDG targets and an additional six are on track to do so by the 2015 deadline (see figure). This is an improvement since the publication of the 2011 WDR (which stated that no low income FCSs had achieved a single MDG) reflecting accelerated development in a few countries as well as better quality data for monitoring progress in FCSs.[1]

FCSs Progress in Meeting the MDGTargets



MDG 1.1 - Extreme Poverty
MDG 1.9 - Undernourishment
MDG 2.1 - Primary Completion
MDG 3.1 - Education Gender Parity
MDG 4.1 - Under-5 Mortality
MDG 4.2 - Infant Mortality
MDG 5.1 - Maternal Mortality
MDG 7.8 - Improved Water
MDG 7.9 - Improved Sanitation

At the country level, Nepal and Bosnia and Herzegovina stand out as the IDA FCSs with the most success in meeting the MDG targets. Globally, the IDA FCSs have made the greatest progress on reducing extreme poverty, gender parity in education, maternal health and access to improved water sources. These signs of progress, however, are themselves fragile as relapses into violence or conflict could reverse them (as for Yemen during the Arab Spring), underscoring the need for sustained action and support.

Despite this progress, FCSs continue to lag behind the rest of the developing countries in terms of meeting the MDG targets and are likely to miss most of them by the 2015 deadline. On some MDG targets, like for infant mortality, not a single IDA FCS is on track to meet the target by 2015.

1/ A key challenge for FCSs is to generate the data necessary to track progress, including towards meeting the MDGs, and feed into policy choices and corrective actions. The Bank, along with other development partners has recently signed a Memorandum of Understanding to strengthen collaboration on data collection and statistical capacity building issues.

B. Recent Progress in IDA's Support to FCSs

108. **Addressing the development challenges in FCSs is a priority for IDA**. At present, 31 IDA-eligible countries are classified as FCSs.[68] This represents 38 percent of the number of IDA-eligible countries in FY13 and 14 percent of their population.[69] Currently, 18 percent of the world's extreme poor live in FCSs and that share is set to increase dramatically over time. The challenge faced by FCSs is compounded by the fact that the problems in these countries are not limited to their borders. The deaths, destruction and delayed development due to fragility and conflict – as well as the impact of successes in addressing these challenges – have regional and global implications. Consequently, a strong response from IDA to support FCSs is in the interest of all IDA countries, as progress in these countries will enhance and protect the development gains in non-FCSs as well as enhance the goal to end extreme poverty by 2030. As detailed below, IDA's engagement on the issues of fragility and conflict reflect the need for urgent action to tackle these problems and the WBG continued commitment to being the premier development institution for FCSs.[70]

109. **IDA's work on fragility and conflict is part of a broader agenda for the World Bank Group and the international community**. The WBG has been a key player in the global efforts to enhance the effectiveness of development assistance in FCSs, including in the context of the Paris, Accra, Monrovia and Busan conferences. A number of enhancements to IDA's financing arrangements for FCSs have been introduced since IDA12, reflecting lessons from experience and research findings. Improving results in FCSs is one of the five themes of the Bank's Post-Crisis Directions Strategy and was a special theme in both IDA15 and IDA16. Following the launch of the 2011 WDR, a strategy for operationalizing its findings and lessons was presented to the Executive Directors in April 2011 and has been under implementation since then.[71] Finally, a broad agenda for change to enhance the Bank's effectiveness in FCSs was integrated into the WBG modernization agenda and is an important component of the ongoing change management process and the WBG's goals to reduce extreme poverty and boost shared prosperity.[72]

110. **The enhancements on the financing front have led to a significant increase in IDA's financial support to FCSs**. Between IDA11 and IDA15, IDA commitments to FCSs increased threefold (from US$1.5 billion to US$6.6 billion – see Figure 5) and they are expected to remain at the IDA15 level during IDA16.[73] Most of the increase has been channeled through the exceptional allocation regimes for post-conflict (PC) and re-engaging (RE) countries. FCSs have also benefited from significant additional financing in the form of debt relief, exceptional support

---

[68] For the FY13 list of see: http://go.worldbank.org/ZEPJOFJEW0

[69] The FCSs share of the population in IDA countries would increase to 29 percent after factoring in the graduations expected to take place at the end of IDA16.

[70] Jim Yong Kim Address at Georgetown University, April 2013.

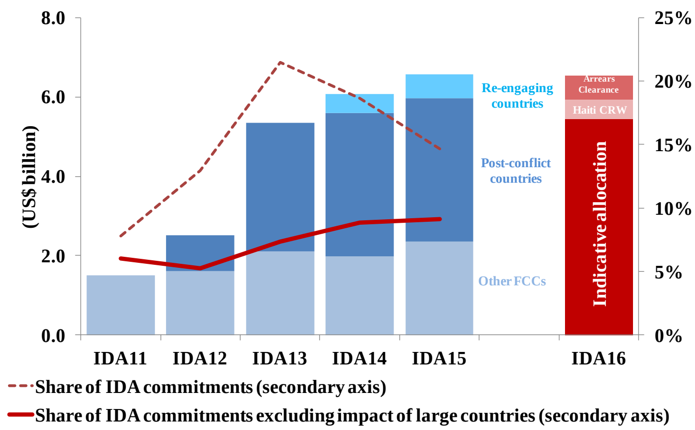
[71] "Operationalizing the 2011 World Development Report: Conflict, Security and Development," DC2011-0003, April 4, 2011.

[72] "Update on the Bank's Business Modernization: Results, Openness, and Accountability Spring 2012," DC2012-0005, April 11, 2012. "World Bank/IMF Spring Meetings 2013: Development Committee Communique," April 20, 2013.

[73] As a share of total commitments, IDA commitments to FCSs increased from 8 percent in IDA11 to 15 percent in IDA15. Fluctuations in that share reflect mostly changes in the FCSs group composition. The 21 percent peak in IDA13 reflects the entry of Afghanistan and DRC and the subsequent decline reflects the exit of Nigeria, Niger and Cameroon. Controlling for these entries/exits, the share of commitments to FCSs increased steadily from 5.3 percent in IDA12 to 9.1 percent in IDA15.

for the clearance of arrears, exceptional support to mitigate the impact of crises and natural disasters and financing from the IDA regional program.[74] Most FCSs have also benefited from an increased concessionality in IDA's financing thanks to the provision of grants. Going forward, Management has proposed to implement a revised resource allocation framework in IDA17 which will allow for a swift response to windows of opportunity in FCSs when warranted by the country context. The revised framework reflects the new understanding on fragility and conflict while – as detailed later in this paper – preserving the principle of performance orientation of the allocation system.

Figure 5: IDA Commitments to FCSs over the Period IDA11-IDA15
(US$ billion, unless otherwise indicated)



Sources: World Bank Business Warehouse
Note: Figures for PC and RE countries include the exceptional arrears clearance support provided in IDA14 and the pilot CRW support provided in IDA15.

111. **The enhancements on the provision of financial support have been accompanied by key reforms to strengthen IDA's operational effectiveness in FCSs**. As detailed in the IDA16 MTR paper, significant progress was made on all IDA16 monitorable actions on FCSs. Notably:

- *Enhanced financing for FCSs.* As part of the IDA16 commitments, Management developed a comprehensive set of options to simplify and adjust the framework for allocating IDA resources to FCCs. Based on the feedback on these options at the IDA16 MTR and the follow up discussions, Management has proposed a revised allocation framework for implementation in IDA17.
- *Measurement of progress in FCSs*. The Post-Conflict Performance Indicators (PCPI) Framework was thoroughly revised and the revised framework has been applied in FY11, FY12 and FY13. The Bank is also supporting the g7+ in the development of the peace- and state-building indicators (PSIs).
- *Partnerships.* The UN-World Bank partnership has been enhanced to facilitate joint work and broader strategic and operational collaboration, address implementation challenges, and improve country-level coordination.
- *Multi-Donor Trust Funds* (MDTFs). Reforms to MDTFs have led to strengthened alignment of their mandates with country strategies and the mainstreaming of fragility

[74] See IDA16 MTR paper "Progress Report on IDA Support to Fragile and Conflict-affected Countries," October 2012.

and conflict in their design. In addition, efforts continue to be made to ensure collaboration with stakeholders on country-specific MDTFs.

112. **In addition to the above, during the last decade, there have been additional reform efforts in a number of key operational areas.** There has been a significant decentralization of Bank staff to the front lines; increased funding of operational work through the Bank budget; and more flexible operational procedures.

- *Decentralization*. Between FY09-FY11, the number of higher level staff (both locally and internationally recruited) in FCSs increased by 38 percent. In addition, lending preparation and supervision in FCSs is more decentralized. Between FY07-FY11, the share of staff time contributed by the Washington office to preparing and supervising projects in FCSs decreased from 62 to 48 percent while regional offices closer to FCSs play an increasingly important role.[75]
- *Bank Budget*. The budget per dollar of IDA lending in FCSs has increased by approximately 20 percent since FY07. In FY11, the Bank spent nearly three times as much in Bank budget per dollar of IDA lending in FCSs in comparison with non-FCSs. A significant portion of that difference is explained by higher supervision budgets (in addition to security costs) to help address implementation challenges in FCSs.
- *Operational Expediency and Flexibility*. The introduction of Emergency Recovery Loans (ERLs) in line with OP 8.0, which are widely used across FCSs, has nearly halved the time between project approval and first disbursement in FCSs.

113. **These operational reforms are showing a positive impact at the portfolio level**. IEG data shows that portfolio performance in FCSs has improved significantly in recent years and is now on par with that in non-FCSs.[76] This is in strong contrast with ten years ago, when the Low Income Countries under Stress (LICUS) Task Force was constituted to tackle the special challenge of what we today call the FCSs. At that time, projects in FCSs were twice as likely to fail as those in the rest of the portfolio. Real-time data show healthy implementation performance of the FCS portfolio. Simpler project design and more intensive implementation support have helped substantially increase the FCS portfolio disbursement ratio to 25 percent, in line with the IDA16 performance standard. The FCS portfolio has no more over-age projects than the non-FCS portfolio. Although projects in FCSs were more frequently projected as potential problem projects than non-FCSs (28 percent versus 4 percent), the actual ratio of problem projects during implementation is actually lower in FCSs (14 percent versus 18 percent). While it is difficult to establish a direct link between the operational reforms and portfolio performance and whether such performance will be sustained over the medium term, the data suggests that targeted efforts at the project level can have a concrete impact on results even in these challenging environments.[77] Beyond project ratings, IDA projects in FCSs have

---

[75] Staff time contributed by the Abidjan, Accra, Addis-Ababa, Dakar and Nairobi offices to prepare projects for FCSs in the Africa region has increased from 10 to 17 percent between FY07-FY11. In the EAP region, the Sidney office staff time contribution has increased from 12 to 32 percent over the same period.

[76] This outcome reflects the improvement in performance of the FCS investment lending portfolio as well as a decline in the performance of the non-FCS investment lending portfolio.

[77] This is consistent with the findings of a recent empirical study which found that project-level factors related to project design, implementation and monitoring have a significant positive impact on project performance (Denizer, Kaufmann and Kraay

had concrete results on the ground (see Box 12 below for specific examples and "the ABCs of IDA for FCSs" for more information).[78]

Box 12: IDA Results in FCSs

- Following its independence in 2002, **Timor-Leste** had to face the devastating aftermath of conflict. The country and families were torn apart, nearly 70 percent of all buildings, homes, and schools were destroyed, and an estimated 75 percent of the population was displaced. IDA rehabilitated 2,780 classrooms in 535 schools and built 102 new education facilities.
- With help from IDA, **Burkina Faso** has transitioned from fragility to stability, supported by a market-driven economy that is providing the foundation for growth, poverty reduction.
- In **Afghanistan**, over the period 2003-2010, about 22 million people in rural areas have benefitted from improved infrastructure such as access to water, electricity and roads through the National Solidarity Program.
- **Sierra Leone** emerged from an 11-year civil war in 2002 with most of its basic infrastructure in ruins. An IDA-financed safety net program facilitated access to healthcare for 700,000 people, provided 360,000 children with access to educational facilities and benefited 30,000 people through a cash-for-work program
- IDA has provided extensive support to **Liberia**, where 15 years of conflict killed tens of thousands of people and destroyed key institutions and infrastructure. Support from IDA and other donors has enabled Liberia to move from a post-conflict crisis situation to a longer-term view of development, with an emphasis on energy, education, and youth employment.
- In **Haiti**, 37,000 people in rural communities benefited from six new water supply systems since 2011. Seventy-six civil protection committees, representing 1.3 million people, have strengthened disaster preparedness and response capacity.

114. **Achieving the WBG goals of ending extreme poverty and boosting shared prosperity requires renewed efforts to enhance the delivery of assistance to FCSs**. In line with the New Deal and the 2011 WDR recommendations, the Bank has embarked on an ambitious set of reforms to better respond to the changing development needs and demands from our client countries as well as to better manage risks and to be more responsive, quick and flexible in our engagement with FCS.[79] These reforms include: (i) designing integrated WBG country strategies to better address the drivers of conflict and fragility and build on the synergies between IDA, IFC and MIGA; (ii) creating more agile operational policies and associated risk management practices that promote responsiveness and adaptation in low capacity and high risk environments; (iii) building a stronger community of practice around FCS issues across regions to encourage learning and the development of "best fit" solutions; (iv) reforming human resources policies and practices to direct more experienced Bank staff to serve FCSs clients; and (v) increasing funding to respond to the peace- and state-building goals of FCSs in addition to their overwhelming development needs.[80]

115. **To lead the implementation of the WBG's agenda to improve its operational effectiveness in FCSs, the Bank established the Global Center on Conflict, Security and Development (CCSD) in Nairobi and Washington**. The CCSD comprises a cadre of staff with competencies spanning from conflict and violence, governance, social protection, gender, private sector development to operations policy, financial management, procurement, safeguards and

---

(May 2011), "Good Countries or Good Projects: Macro and micro correlates of World Bank project performance", World Bank Policy Research Working Paper 5646).

78 http://www.worldbank.org/ida/papers/fcs/ida-fcs-may-2013.pdf

79 In December 2011, with its endorsement in Busan, the WBG committed to deliver on the commitments under the New Deal and is contributing through close engagement with the g7+ and participation in the Steering Group of the International Dialogue (ID) on Peace-building and State-building.

80 For the status of implementation of these reforms see "IDA's Support to Fragile and Conflict-affected States," March 2013.

monitoring and evaluation. Support from the CCSD will be critical, not only in terms of helping Bank country teams address the drivers of fragility and conflict in country programs, but also in enhancing the community of practice and the knowledge base that will inform Bank – and other international actors – efforts to enhance its effectiveness in FCSs. The CCSD will also spearhead the coordination of efforts with other development partners.

C. IDA's Comparative Advantage in Supporting FCSs

116. **IDA's role and comparative advantages in FCSs lie in its core competencies of building capacity and developing the essential institutions and systems for effective aid delivery and accountability** (see Box 13). In this context, IDA's strengths in technical assistance and financing for PFM and policy formulation are particularly relevant. In addition, IDA's use of national institutions and country systems helps to strengthen capacity and accountability.[81] Furthermore, IDA's country-based business model is particularly important in FCSs, where each country needs to assess its own circumstances and find its own path out of fragility in light of the different types and combinations of violence, stresses and institutional challenges they face. IDA's platform role, multi-sectoral perspective and integrative capacity are also critical, given the increased complexity and fragmentation of the aid architecture in FCSs. As part of its engagement in FCSs, IDA strives to promote synergies among development partners through partnerships and coordination, thus helping to bridge the traditional security, development and humanitarian divides among different actors.[82] Finally, as evidenced in Box 14, IDA also generates and shares knowledge on best practices, innovative approaches and results across the globe.

Box 13: The Country Opinion Survey Program

Through the Country Opinion Survey Program, the WBG gathers feedback from opinion leaders in client countries across the globe, systematically and annually – the only international organization to so broadly gather such information. In the past year, among the many countries polled, the survey included opinion leaders in eleven FCSs (including people from government, CSOs, private sector, media and academia).[1] The findings in FCSs indicate, among others, that:

- inefficient government work and inadequate level of civil society participation are perceived as the key reasons why reforms fail;
- capacity building – getting governments to work better for their people – is cited as the most essential issue for FCSs;
- education and agriculture are perceived as the top development priorities for FCSs; and
- energy and agriculture are cited as equally fundamental for sustained economic growth with agriculture seen as vital to reducing poverty.

The respondents clearly recognized a significant role for the WBG in FCSs but cited the need for it to be more flexible, speedier and responsive in its work in these countries. The call, which echoes that of the g7+, has been heeded by the WBG through its internal reforms to become more agile and faster on the ground.

[1] Afghanistan, Guinea, Congo, Sierra Leone, DRC, Burundi, Sudan, South Sudan, Angola, Nepal and the Central Africa Republic.

---

[81] A recent independent survey of progress towards meeting the commitments of the Paris Declaration on FCSs rates the Bank highly in such areas as alignment of aid flows, technical assistance and capacity building, use of country PFM systems and joint country analytic work. See World Bank, 2011, "The World Bank and Aid Effectiveness: Performance to Date and Agenda Ahead", and Ishihara, 2012, "Identifying Aid Effectiveness Challenges in Fragile and Conflict-Affected States" Policy Research Working Paper 6037.

[82] The New Deal highlights the importance of more effective partnerships to reduce the burdens on low capacity governments in FCS and ensure more coordinated support around clear country priorities delivered as much as possible through each country's own systems. It also calls for the use of "compacts" between FCS governments and their development partners offering a new approach to ensure such coordination.

Box 14: Innovative Approaches to Security, Justice and Jobs in FCSs

The 2011 WDR put security, justice and jobs at the front and center of the development agenda in FCSs. Arguing that fragility and violence are fueled by the absence of effective and legitimate institutions to provide basic security, justice and economic opportunities, the WDR called for context-specific, "best-fit" approaches to supporting the development of these institutions. While the importance of justice, security and jobs in FCSs is widely recognized, how to achieve their provision is not always obvious. Through country-level innovations and rigorous analysis the WBG is exploring what works and what doesn't in these areas.

In the area of justice. The Bank is incorporating attention to justice and its links to fragility and conflict in several FCSs' country strategies. The Bank is also analyzing what best fits a country's needs. The analysis is providing the evidence base for designing justice services – whether through courts, police, or any number of informal and hybrid institutions from custom to paralegals – that respond to citizen needs (see http://go.worldbank.org/5DNQN4N5Y0 for details in the case of Sierra Leone). Work is also underway to identify entry points across the portfolio for strengthening the institutions that can prevent and manage key sources of injustice – from the management of land and natural resources in Liberia, to the equitable delivery of basic services in South Sudan, to the efficiency, effectiveness and equity of national investments in local infrastructure in Timor-Leste, to the effective and transparent use of public resources across FCSs.

In the area of security. The Bank is expanding beyond Disarmament, Demobilization and Reintegration programs and using a variety of instruments through multi-agency efforts to help governments to address crime and violence. Lessons learned in Latin America are now informing projects in Africa and East Asia. The WBG is also deepening its partnership with the UN in the area of security sector reform. Work with the UN and other partners is ongoing to develop a security sector expenditure review sourcebook to help public finance practitioners on issues of financial management, financial oversight and expenditure policy of national security systems.

In the area of job creation. The Bank has developed a comprehensive approach to trade and investment promotion to stimulate job and enterprise creation in FCSs. IDA, IFC and MIGA are working to offer an integrated package of investments and advisory services encompassing public sector support, private sector loans, and risk guarantees to support job creation and private sector development in response to client countries' needs. Likewise, joint business plans are being developed which will align WBG activities in key sectors. To further boost the understanding of what works to create jobs in FCSs, the Bank, the EU, the AfDB and UN partners have agreed to establish a Global Facility for Employment Creation in FCSs to be administered by the WBG.

D. Enhanced Financing to FCSs

117. **At the first IDA17 meeting, Management proposed a revised allocation framework for implementation in IDA17**. The revised allocation framework responds to the principles of effectiveness, transparency, responsiveness and timeliness in a way that: (i) preserves strong incentives for performance; (ii) builds on IDA's implementation experience, including the need for striking a balance between rules and flexibility; and (iii) reflects the new understanding on fragility and conflict, including the need for financial support decisions to take into consideration country context. In addition, the revised framework responds to the challenges and opportunities presented by IDA's diverse client base and the opportunities presented by the New Deal.

118. **During the first IDA17 meeting, Participants broadly supported the allocation framework proposed by Management**. At the same time, Participants requested further discussion of the criteria and parameters that would guide the implementation of the revised allocation framework during the second replenishment meeting. In the interim, Management held an informal session on this topic at the margins of the Spring Meetings which served to address a number of issues raised. In addition, Participants agreed that the magnitude of the increase in IDA's support to FCSs during IDA17 would need to take into account the size of the replenishment and the associated trade-offs. In response to this feedback, the section below is structured in two sub-sections. The first sub-section presents a summary of the proposed allocation framework, which is complemented by a detailed elaboration on implementation issues in Annexes 5 through 7. The second sub-section provides detailed information on the FCS component of the five scenarios presented in the IDA17 "ask" paper and presents the

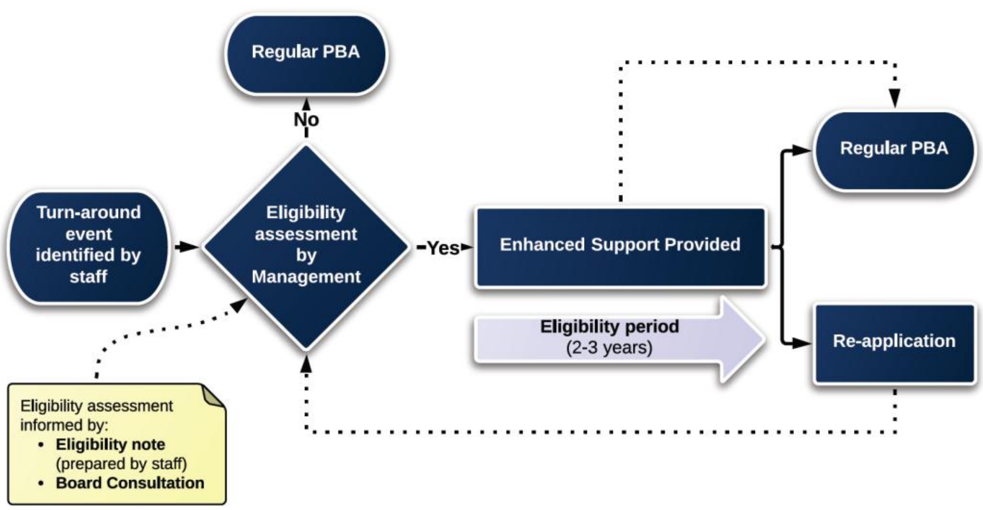
implications and trade-offs associated with them.[83] The information in the second sub-section is complemented by detailed analysis presented in Annexes 8 through 10.

1. Proposed Allocation Framework for IDA17

119. **The framework proposed by Management for implementation in IDA17 rests on two main components which received broad support at the IDA16 MTR and the first IDA17 meeting**. Specifically, these two components are: (i) an exceptional allocation regime for countries facing "turn-around" situations; and (ii) increasing the poverty-orientation of the regular Performance-Based Allocation (PBA) system. In addition, the proposed framework includes measures to ensure that IDA funding allows for meaningful country engagement. These components are summarized below.

120. **Exceptional allocation regime for countries facing "turn-around" situations**. Starting in IDA17, this regime would cover future PC and RE countries as well as countries which have not experienced significant levels of conflict or accumulated arrears but are confronted with a turn-around situation. Allocations to eligible countries would be based on country performance and needs (the latter reflected in notional maximum per-capita allocation levels to be agreed in the context of the replenishment discussions). The criteria and process for providing support under this exceptional regime is summarized in Figure 6 below and detailed in Annex 5 which also defines what is understood as a turnaround situation. As detailed in the annex, country performance (at the policy and institutional level and at the project portfolio level) will be the key factor in decisions at all steps in the process. Also, the process incorporates several monitoring and feedback elements which will ensure the performance orientation in the decisions on the interruption/continuation of the provision of exceptional support. Finally, the process incorporates strong oversight by the Board of Directors, as per the approach followed for accessing resources from IDA's Crisis Response Window (CRW).

Figure 6: Exceptional Support for Countries Facing Turn-around Situations



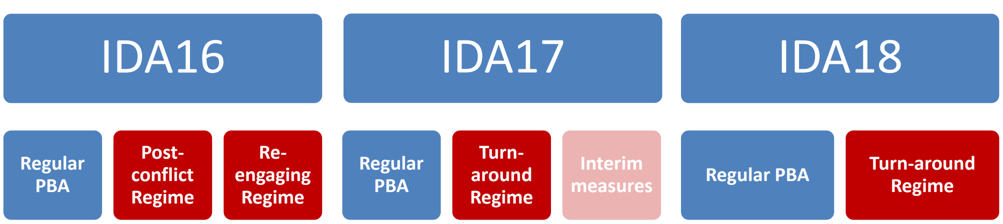
[83] "The Demand for IDA17 Resources and the Strategy for their Effective Use," May 2013.

121. **Increasing the poverty-orientation of the regular PBA system**. Increasing the poverty-orientation of the regular PBA system would re-align the provision of IDA resources with the twin WBG objectives of ending extreme poverty and promoting shared prosperity. It would also address: (i) the fact that an increased number of IDA countries have a Gross National Income (GNI) per-capita above the operational cutoff; and (ii) the increased revenue dispersion among IDA countries. While not based exclusively on fragility considerations, this measure would allow an increased IDA engagement in the broader group of FCSs, most of which have low per-capita GNI per-capita levels. As per the Management's proposal, the increased poverty-orientation would be achieved by reducing the Country Performance Rating (CPR) exponent in the regular PBA formula in a way that allows the system to preserve a strong performance orientation. Annex 6 reviews different options for the CPR exponent and shows that reducing the CPR exponent from 5 to 4 (as per the Management's proposal) would provide increased incentives for performance while maximizing the number of countries with increased incentives.

122. **Ensuring adequate funding for meaningful country level engagement.** This addresses the fact that IDA financing is insufficient to support an effective engagement in several small states. The proposal contemplates an increase of the minimum base allocation from its current level of SDR3 million to SDR4 million. This measure will benefit primarily small states whose IDA allocation is mainly determined by the minimum base allocation, many of which are FCSs. In addition, if the MDRI netting out were to be eliminated, it would further strengthen the support for FCSs receiving small allocations and simplify the allocation framework.

123. **Ensuring a smooth transition of countries currently under the exceptional Post-Conflict and Re-engaging regimes**. To smooth the transition of countries currently under the exceptional PC and RE regimes, either to the regular PBA system or to the new exceptional "turn-around" regime, two interim measures have been proposed. Specifically, these countries would be subject to: (i) a case-by-case extension of their phasing out period for the duration of IDA17, and (ii) the alignment of the level of support to these countries with the support to be provided under the exceptional "turn-around" regime.[84] The existing exceptional PC and RE regimes would be discontinued by the end of IDA17 and the exceptional "turn-around" regime would remain the only vehicle for enhanced IDA support thereafter, as illustrated in Figure 7.

Figure 7: Evolution of IDA's Allocation Framework



[84] The case by case extension of the phasing out period would continue to be based on the criteria agreed in IDA16, namely: (i) limited economic status and financing options, measured by GNI per-capita lower than the IDA operational cutoff or lack of access to IBRD financing; (ii) presence of clear factors slowing down the transition, most notably a resurgence or continuation of conflict in parts of the country, measured by the presence of UN Security Council mandates for peace-keeping forces (with the exclusion of border monitoring missions); and (iii) PPR, averaged over the last three years, of at least 3.0. Decision rule was: the phase out period is extended if the country meets (i) and at least one among (ii) or (iii).

2. *Illustrative Scenarios: Parameters, Criteria, Implications and Trade-offs*

124. **This sub-section provides detailed information on the FCS components of the five scenarios presented in the IDA17 "ask" paper.**[85] These scenarios reflect the combined impact of implementing different components of the proposed allocation framework (see Table 1 and Annex 7). The potential impact of the scenarios is presented in terms of the level of IDA core financing to FCSs and non-FCSs (relative to IDA16), the incremental impact of the different components of the proposed allocation framework and the associated trade-offs. The key assumptions underpinning the scenarios relate to:[86]

- the components of the proposed allocation framework applicable to each scenario;
- the parameters and criteria guiding the implementation of these components; and
- the size of the replenishment and of the country-allocable envelope.

Table 1: Assumptions Underpinning the Ask Paper Scenarios

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Elements of the Proposed Framework 1/					
(i) Exceptional Turn-Around Regime					
Notional Maximum Per-Capita Allocations 2/			50%	100%	100%
(ii) Regular PBA System					
CPR Exponent		4	4	4	4
(iii) Ensuring a meaningful country engagement		Yes	Yes	Yes	Yes
(iii) Interim Measures					
Case-by-case phasing out extension 3/	Yes	Yes	Yes	Yes	Yes
Alignment of Support with "Turn-around" Regime			Yes	Yes	Yes
Replenishment level (US$ billion)	44.6	47.0	50.4	52.4	54.4
Core funding level (US$ billion)	39.7	40.4	41.8	43.2	44.8

Notes:
1/ Cells in gray indicate the elements of the proposed framework applicable to each scenario. Where relevant, the parameters parameters guiding the implementation of these elements are noted in the cells.
2/ Figures in the cells represent the percent increase in the Notional Maximum Per-capita Allocations under the exceptional "turn-around" regime relative to the Notional Maximum Per-capita Allocations agreed in IDA14 for the exceptional PC regime.
3/ The case-by-case extension would be based on the extension criteria agreed in the context of the IDA16 replenishment. Under these criteria, and using the most recent data avaialble, Afghanistan, Burundi, CAR, DRC, Haiti and Togo would have their phasing out periods extended. The original phasing out periods for Côte d'Ivoire and Liberia end in FY17.

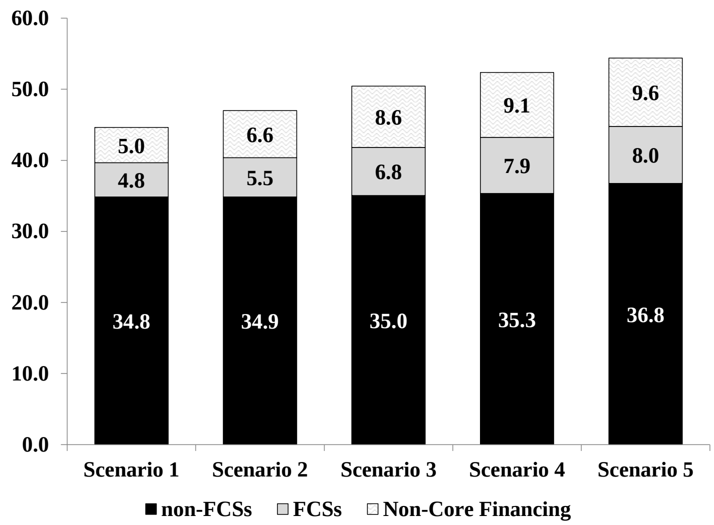
125. **The scenarios in the "ask" paper provide a range of options which would allow for more financing to meet critical development priorities in IDA countries**. Regarding IDA's support to FCSs, the scenarios in the ask paper reflect different levels of ambition for implementing the proposed revised allocation framework. In addition, the various scenarios also provide for increased financing to cover estimated arrears clearance costs, regional projects, and transitional support (starting from scenario 2) – see Figure 8. IDA's core financing also increases between the 1st and the 5th scenario, with the rate of increase being faster for FCSs than for non-FCSs.

---

[85] As detailed in the "ask" paper, each scenario presents a different combination of financing for core IDA and additional financing needs. Core IDA financing consist of resources for non-FCS and for FCSs. Additional financing needs include: funding for regional projects; resources for the CRW; exceptional support for arrears clearances; and transitional support.

[86] In addition to the assumptions below, the figures in the scenarios reflect: (i) the expected graduation of Angola, Armenia, Bosnia and Herzegovina, Georgia and India, (ii) allocation parameters (i.e., CPIA scores, PCPI scores, GNI per-capita and population) assumed to remain constant at the levels used in the FY13 allocation exercise, and (iii) FCSs status as per the FY13 list of fragile situations.

Figure 8: Use of IDA Funds per Scenario



126. **Level of core IDA financing to FCSs and non-FCSs** (see Figure 9 and Annex 8). Fully implementing the proposed allocation framework – as opposed to only some of its components – would significantly boost IDA's core financing to FCSs, raising it above the IDA16 level excluding graduates (comparisons to IDA16 in the bullets below exclude graduates).[87] As pointed out in the "ask" paper, the level of IDA core financing to FCSs would increase in real terms relative to IDA16 starting from scenario 3, while that to non-FCSs would increase in real terms only in scenario 5. The detail of the level of core IDA financing to FCSs and non-FCSs under the different scenarios is as follows:

Figure 9: IDA Core Funding to FCSs and Non-FCSs Relative to IDA16

Figure 9.A. Nominal Terms

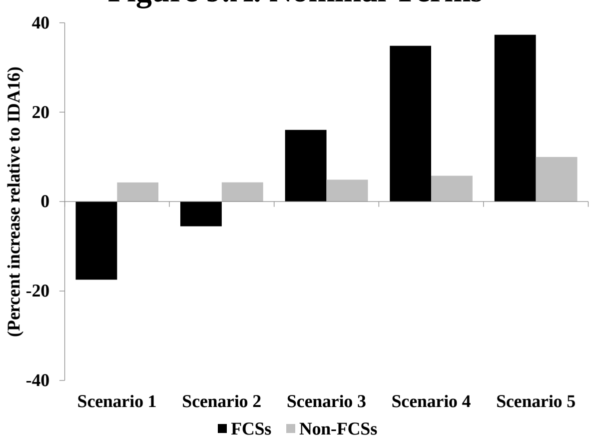
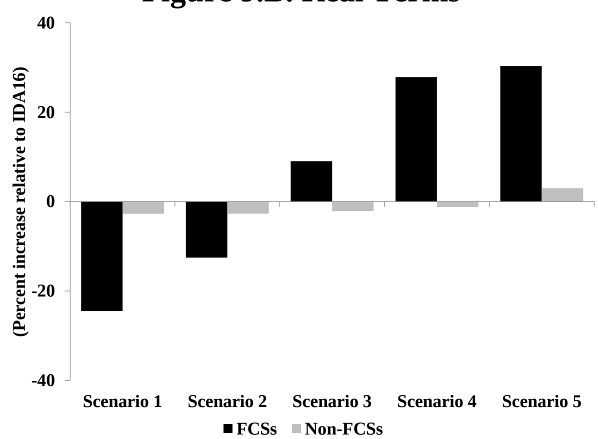


Figure 9.B. Real Terms



87 During IDA17, most of the increased support to FCSs under the different scenarios would accrue to countries currently under the exceptional PC regime (between 55 to 58 percent under scenarios 3 through 5). It should be noted that the distribution of the increased support under scenarios 3 to 5 should be considered as very tentative since several of the countries currently under the PC regime could be among the first beneficiaries under the exceptional "turn-around" regime (four out of the seven New Deal pilots are currently under the PC regime).

- **Scenario 1**. Under this scenario, there is no discernible nominal increase in the overall core financing (non-FCSs and FCSs) relative to IDA16. There are, however, differences regarding FCSs and non-FCSs. Core financing to FCSs in nominal terms amounts to US$4.8 billion, a 17 percent reduction in nominal terms relative to IDA16.[88] This drop reflects the net impact of: the assumed extension of the phasing out periods (for Afghanistan, Burundi, CAR, DRC, Haiti and Togo) and the reduction in the exceptional allocations that occurs during the phasing out period. IDA's core financing to non-FCSs would amount to US$34.8 billion, a 4 percent increase in nominal terms relative to IDA16 (net of graduations).

- **Scenario 2**. This scenario shows a nominal 3 percent growth in the overall core financing relative to IDA16. Implementing this scenario brings IDA's financing to FCSs up to US$5.5 billion. This increase reflects: the reduction of the CPR exponent in the regular PBA formula to 4 and the increase of the minimum base allocation to SDR4 million. It also assumes the elimination of the MDRI netting out. On the non-FCSs side, the level of IDA financing is broadly unchanged relative to scenario 1.

- **Scenario 3**. Overall core financing under this scenario grows by 6 percent in nominal terms relative to IDA16 (or no change in real terms), with financing to FCSs increasing to US$6.8 billion**.** The increase compared to scenario 2 is driven by the addition of the remaining components of the proposed allocation framework, i.e., introducing the exceptional regime for "turn-around" countries. Per-capita levels of exceptional support would be 50 percent higher than the levels agreed in IDA14 for the exceptional PC regime. The level of support to current PC and RE countries would be aligned to the new "turn-around" regime. Financing to non-FCSs would reach US$35.0 billion, slightly above scenario 2.

- **Scenario 4**. This scenario assumes a 10 percent nominal increase in overall core financing relative to IDA16. Financing for FCSs under this scenario amounts to US$7.9 billion. The increase relative to scenario 3 is driven primarily by increasing the per-capita level of support under the exceptional "turn-around" regime by 100 percent of the IDA14 levels for the exceptional PC regime and aligning the support to PC and RE countries with that level. Financing for non-FCSs would increase to US$35.3 billion.

- **Scenario 5**. Scenario 5 further scales up FCSs financing to US$8.0 billion. Non-FCSs would receive US$36.8 billion. The increase, relative to scenario 4, reflects the 14 percent increase in the overall level of core financing assumed under this scenario.

127. **Impact of the components of the proposed allocation framework on the volume of financing to FCS and non-FCS**.[89] The impact is presented with a breakdown between FCSs and non-FCSs which allows for identifying the associated trade-offs.[90]

---

[88] Note that the 17 percent decrease is based on a IDA16 level of support that includes the exceptional CRW allocation of US$0.5 billion for Haiti (which did not benefit from a regular IDA allocation).

[89] See Annex 9 for the detailed results and discussion of the estimated impact of the different components.

[90] For scenario 1, the impact is estimated as the difference between scenario 1 and the figures resulting from applying the IDA16 allocation framework to the level of core financing assumed under scenario 1. For the other scenarios, the impact is

- **FCSs**). Figure 10.A shows that the bulk of the increase in core financing for FCSs is driven by the progressive inclusion of the components of the proposed allocation framework as well as the scaling up of some of these components. The incremental increase in core financing to FCSs resulting from modifications to the:

    - *allocation framework* is as follows: US$0.5 billion results from the case-by-case extension of the phasing out period; US$0.6 billion more comes from modifying the regular PBA system (i.e., CPR exponent reduction to 4, minimum base allocation increase to SDR4 million per year and assuming the elimination of the MDRI netting out);[91] US$0.4 billion of additional support results from establishing the exceptional "turn-around" regime at per-capita support levels 50 percent higher than those agreed for the exceptional PC regime in IDA14;[92] increasing the "turn-around" regime per-capita support to 100 percent of the IDA14 level for PC countries leads to US$0.2 billion of additional funding; and an additional amount of between US$0.7 billion (scenario 3) and US$1.4 billion (scenario 5) result from aligning the per-capita support provided to countries currently under the PC and RE regimes with that under the "turn-around" regime.

    - *overall core financing* is estimated at US$0.1 billion for Scenarios 1 through 5.

Figure 10: **IDA Core Financing to FCSs and non-FCSs**
Impact of the Components of the Proposed Allocation Framework

Figure 10.A. Impact on FCSs

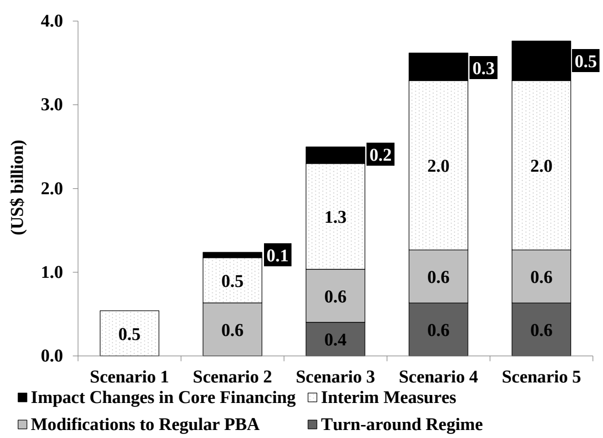
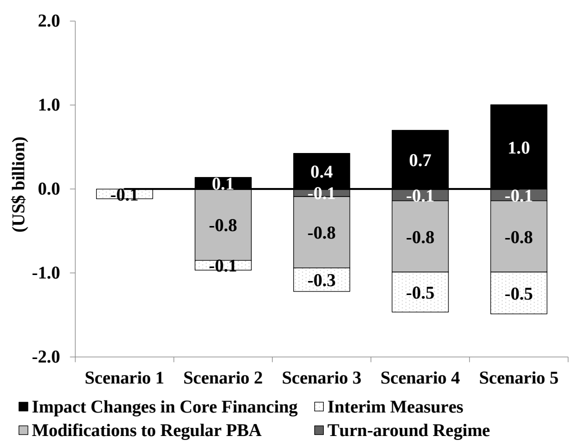


Figure 10.B. Impact on Non-FCSs



---

estimated as the difference between the estimates for each scenario and the estimates for previous one (e.g., the impact for scenario 2 is estimated as the difference between scenario 2 estimates and the ones for scenario 1).

91 As discussed in earlier papers, most of this increase results from the proposed change to the CPR exponent.

92 The estimates for "turn-around" support are based on the working assumption that IDA-only FCSs with GNI per-capita below the IDA operational cutoff (not currently under the PC or RE regimes and not small islands) would become eligible and qualify for exceptional support in amounts equivalent to a quarter of the maximum level they could get under the regime (this share was assumed to reflect the fact that not all of these countries would actually qualify for exceptional turn-around regime). These estimates should be considered as highly preliminary, in particular given that (subject to meeting the requirements and following the decision process detailed in the previous section) some countries currently under the exceptional PC and RE regimes and some non-FCSs could become eligible for exceptional "turn-around" support.

- **Non-FCSs** (see Figure 10.B.). The size of the core envelope is what drives the level of financing for non-FCSs. All scenarios in the "ask" paper represent a nominal increase in core financing to non-FCSs over IDA16 (net of graduations). Only in scenarios 4 and 5 do the non-FCS receive a larger share of the overall increase in core funding available.

  - **Five most-affected non-FCSs**. The trade-offs at the country level may in some cases be sharper than for non-FCSs as a group. For some countries, the impact of implementing the proposed allocation framework would not be netted out by the changes in the core envelope. For the five non-FCSs most affected by the changes in the allocation framework, the increase in the core envelope would offset between 13 percent (scenario 2) and 71 percent (scenario 5) of the impact of such changes. It should be noted that, under all scenarios, these non-FCSs would receive – as a group – core financing higher than in IDA16 (ranging from 5 percent more under scenario 2 to 15 percent more under scenario 1).

128. **Regional redistributions** (see Table 2). The simulation results suggest that the shares of IDA financing to all regions would remain largely stable across the different scenarios. Simulations presented in earlier papers, based on a fixed envelope assumption, showed a slight increase in the share of IDA resources to Africa given the concentration of FCSs in that region. The difference with the previous results reflects the use of five scenarios which assume changes in the size of the core financing envelope, illustrating the role it plays in neutralizing the trade-offs that emerge from implementing the proposed allocation framework.

129. **Impact on the overall performance orientation of the system.** Under all of the illustrative scenarios, country performance will continue to be the key driver of allocation decisions: the system will continue to channel significantly more resources to better performers (as measured by the CPR). Figure 11 below presents the estimated per-capita allocations by performance quintile under the five illustrative scenarios.[93] Two points are worth highlighting:

- First, even in the scenarios providing for the largest increases in core financing to FCSs, strong performers (i.e., countries in the top performance quintile) would receive per-capita support multiple times that for weak performers (i.e., countries in the lowest performance quintile). In fact, under all of the scenarios, IDA's per-capita allocations to strong performers as a percentage of IDA's allocations to weak performers would be above the values for IDA14 and IDA15.[94]

- Second, countries in the top performance quintile would receive more core financing than in IDA16 (between 2 percent under scenario 2 to 11 percent under scenario 1).

---

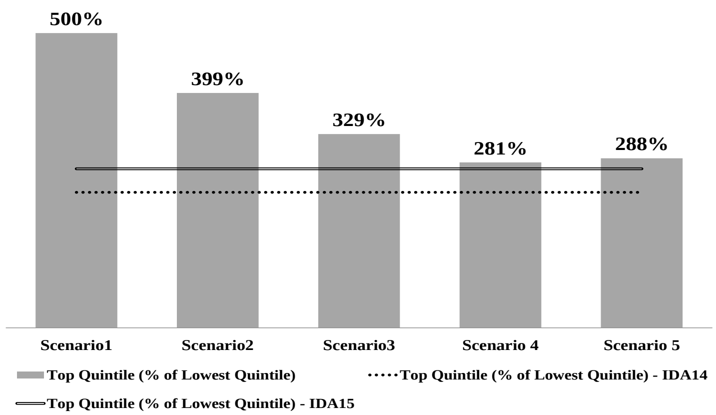
[93] See Annex 10 for detailed figures.

[94] This ratio is estimated to have reached 500 percent in IDA16 reflecting the fact that a number of countries under the exceptional PC and RE regimes moved back to the regular PBA system and progressed in their phasing out periods.

Table 2: Regional Distribution of IDA Support under the Different Scenarios
(percent)

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Africa	58.2	57.8	57.9	58.0	58.0
East Asia Pacific	14.4	13.7	13.7	13.7	13.7
Europe and Central Asia	2.9	3.1	3.0	2.9	2.9
Latin America and the Caribbean	2.6	2.6	2.6	2.6	2.6
Middle East and North Africa	0.9	1.1	1.0	1.0	1.0
South Asia	21.0	21.8	21.8	21.7	21.8

Figure 11: Ratio of Per-capita Support. Strong Performers vs. Weak Performers



E. Management Proposal for Scaling Up Support to FCSs in IDA17

130. **At the 2012 Annual Meetings in Tokyo, President Jim Yong Kim called for stepped-up action by the WBG to end extreme poverty and promote shared prosperity**. The WBG has set the twin goals of ending extreme poverty within a generation and boosting shared prosperity in each country. In a world where poverty is increasingly concentrated in FCSs, reaching those goals means enhancing IDA's strategic relevance and operational effectiveness in these countries.

131. **During the IDA17 period, IDA will step up its FCSs commitments in four specific areas, described in detail in the bullets below**. The commitments are aligned with recommendations from the 2011 WDR and the ongoing New Deal process and build on lessons learned from the implementation of IDA16 commitments and various efforts on FCSs – such as those through the State and Peace-Building Fund and other MDTFs in FCSs and the activities of the CCSD – as well as on inputs and feedback received from Participants in the discussions of the Working Group on Fragile States, the IDA16 MTR and the first IDA17 Replenishment meeting. Specifically, the policy actions proposed by Management for implementation during IDA17 are the following:

Designing integrated WBG strategies addressing drivers of fragility and conflict and opportunities to build resilience

- **Full integration of fragility and conflict into country strategies**. All CASs in IDA FCSs will be informed by analysis of drivers of fragility and conflict. All CASs products in FCSs are increasingly incorporating a fragility analysis, but much more needs to be done. As discussed above, this will require pushing analytical and operational skills in areas such as justice and security that were traditionally not the mainstream of the WBG. This will also involve learning from our partners such as the UN and forge collaborations to benefit from each other's comparative advantage. A comprehensive review of the 53 country strategies in FCSs between 2006 and 2011 is underway and will provide the baseline to gauge change in this area.

- **Enhanced Focus for Private Sector Development in FCSs.** During the IDA17 period IDA will pursue synergies with other branches of the WBG (IFC and MIGA) through Joint Business Plans (JBPs) in at least 10 FCSs to support private sector development. JBPs in FCSs will emphasize alleviating barriers to business growth related to access to power, finance and markets, promoting an enabling environment for business along with transparency and the rule of law, and using risk tools to facilitate increased private investment. Public-private collaboration will be critical for unlocking these barriers, highlighting the relevance of strong IDA-IFC-MIGA collaboration in FCSs. JBPs are currently in preparation for several FCSs, including Nepal, where IDA-IFC-MIGA are working together in support of the energy sector along with critical banking sector reforms to increase business activity. The capacity to enhance synergies across IDA, IFC and MIGA in FCSs will call for strong collaboration at the country level and with the CCSD. This will support more seamless engagement with private sector representatives and government, a key aspect of the comparative advantage of the WBG.

- **Integration of gender perspective**. During IDA17, IDA will further enhance the integration of the gender agenda in the FCS context. To inform the work going forward, the CCSD is organizing consultations with regional and country offices on how to better address gender and FCS issues more effectively at the operational level, with a focus on IDA.

Enhancing feedback from implementation experience in future operational engagements

- **Efforts will be stepped up to strengthen knowledge of what works and what does not work in the IDA FCS context** through monitoring and evaluation, including impact evaluations, tracking of results of IDA-financed operations and expanded use of beneficiary feedback mechanisms. The 2011 WDR recommended that effective operational programs in FCSs adopt a "best fit" vs. a "best practice" approach to adapt to highly uncertain and often politically volatile environments, where capacity constraints shape the relevance and feasibility of solutions borrowed from other contexts. A key component of this approach is to build in feedback loops into project design and implementation to adapt both to the changing context and to the learning opportunities that arise from the experience of implementation. This goes beyond standard methodologies of ex post evaluation and calls for more creative approaches to monitoring, mid-course learning, and beneficiary feedback to provide ongoing information that can be used to improve operations and to generate broader lessons for enhancing operational practice.

- **The ongoing IEG evaluation of the WBG support to FCSs** will also provide valuable inputs to inform IDA's actions in this area.

More agile operational policies and practices

- **Implement OP/BP 10.00 which incorporates a differentiated approach to investment lending in FCSs.** Recognizing the weak institutional capacity and the need for rapid and flexible response in FCSs, a new investment lending policy (OP/BP 10.00) has been adopted which incorporates a differentiated approach to investment lending in FCSs. Recognizing the limitation of ex-ante risk management tools, the new policy allows the FCS project teams to use streamlined procedures for preparation while also encouraging rigorous monitoring and learning during implementation. It has expanded the applicability of alternative implementation mechanisms (e.g., through UN agencies, CSOs and Bank execution) to deliver faster assistance to FCSs and take advantage of partnerships with agencies that might have a stronger presence in the field, especially in the immediate aftermath of conflict. When required by the context, it also allows for greater use of direct contracting for procurement of goods and services and higher thresholds for streamlined procurement procedures.[95] To help drive changes in operational policy and practice to the field level, where problems of excessive risk aversion can arise, the WBG has established a senior FCSs Implementation Support Team to support field-based staff in using the full extent of the flexibility offered in the policy and to promote exchange of practice among frontline staff. In addition, ongoing reviews of WBG policies on procurement and safeguards will also generate recommendations for improvements in FCSs operations.

Enhancing FCSs financing

- **Implement the revised framework for allocating IDA resources to FCSs proposed by Management** (detailed in sub-section D). Implementing the proposed allocation framework would allow for an enhanced financial engagement of IDA in FCSs.[96] Subject to agreement by the Deputies, the revised allocation framework would be implemented in IDA17.

132. **In addition to the above policy commitments, the IDA RMS will be enhanced during IDA17 to strengthen the strategic role of this accountability tool in FCSs**. The proposed enhancements reflect three key elements, namely: (i) the alignment of the RMS with the WBG goals and the IDA17 overarching theme; (ii) improvements in the availability of data and

---

95 IFC is also creating more operational flexibility for projects in FCSs, by developing streamlined processes, simpler documentation and supporting the development of projects in FCSs outside IFC's normal risk tolerance. MIGA also has an existing Small Investment Program with streamlined procedures and delegated approval authority from the MIGA Board, which is used extensively in FCSs.

96 See Section III of "Progress Report on IDA Support to Fragile and Conflict-affected Countries," October 2012, and Section III of "IDA's Support to Fragile and Conflict-affected States," March 2013.

indicators; and (iii) and recent progress on knowledge. The proposed enhancements are as follows:

- **Tier 1** (IDA countries progress). A separate sub-category for FCSs will be created for the indicator on the percent of population below the US$1.25 a day. This will allow for close monitoring on progress made in ending extreme poverty in the FCSs context.

- **Tier 3** (IDA operational effectiveness), one performance standard will be included related to FCSs, namely the proportion of country strategies in IDA FCSs that are informed by analysis of drivers of fragility and conflict.

- **Tier 4** (IDA organizational effectiveness). This tier will include disaggregated indicators for FCSs on speed and cost: (i) satisfactory implementation of active IDA operations; and (ii) average project implementation support costs and costs of sustaining, support, institutional and indirect services per US$100 million of IDA portfolio to enhance transparency and strengthen IDA's focus on cost effectiveness and efficiency. Also, a new indicator – facetime index for IDA FCSs – will replace the indicators on decentralization to better capture the extent and depth of IDA engagement in this group of countries. This tier will also include an indicator on the number of IDA FCSs with IDA-IFC-MIGA joint business plans to enhance the monitoring of increased WBG synergies.

VII. ISSUES FOR DISCUSSION

- Do Deputies endorse the proposals and recommendations for the four special themes set out in this paper for IDA17?

Annex 1. Monitorable Actions for IDA17

Inclusive Growth

Objective	Proposed Actions
Make two WBG goals central to country dialogue	• 100 percent of IDA country strategies aligned with the goals of ending poverty and promoting shared prosperity (with a focus on the income of the bottom 40 percent of the population in each country).
Build capacity to collect key data to identify and prioritize main constraints to inclusive growth and related policy options, understand trade-offs among possible actions, and prioritize and sequence interventions	• Improve the accessibility and documentation of under-utilized surveys, and working with the ILO and country partners, improve the systematic collection of data on individuals and enterprises from household surveys, and business surveys, censuses, which can help guide policy makers' priorities for economic growth with shared prosperity. • Develop a jobs-focused diagnostic tool (integrating available country-produced microeconomic data), pilot it in 6-8 countries and disseminate it. • Expand coverage of the Global Financial Inclusion Database (Global FINDEX) for IDA countries.
Foster good governance of natural wealth	• Analyze the growing pool of Extractive Industries (EI) data (licensing, contracts, production, revenues, spending, corporate impact, quality of service delivery) that complements commodities data, and make it available to inform policy formulation and public debate. • Promote coordination and complementarity between IDA, IBRD, IFC and MIGA in support for the adoption of best practices in EI management, including: (1) scaling up of technical assistance for the implementation of EITI and other initiatives for transparency in the management of EI, and (2) monitoring of publication of contracts and payments.

Gender

Objective	Proposed Actions
Deepen integration of gender considerations	• 100 percent of IDA country strategies will draw on and discuss the findings of a gender assessment; at least two thirds incorporate gender considerations into the analysis, content of the program and the results framework.
	• At least two-thirds of IDA operations have gender-informed analysis and follow up.
	• All regions implement and monitor Gender Action Plans.
Improve monitoring, learning and innovations to enhance results and impact	• Strengthen knowledge of what does and does not work in IDA countries through monitoring and evaluation, including impact evaluations on gender related issues, tracking of gender results of IDA operations using sex-disaggregated core sector indicators and expanded use of beneficiary feedback mechanisms.
	• Roll out statistical activities to increase sex-disaggregated data and gender statistical capacity in at least 15 IDA countries.

Climate Change

Objective	Proposed Actions
Strengthen climate and disaster risk management in country strategies and programs for sustainable development outcomes	• 100 percent of IDA country strategies will discuss climate change vulnerabilities and disaster risk management as part of the discussion of the country's development challenges and priorities, and include resilience activities when requested by the recipient country.
	• Scale up support to IDA countries to develop and implement country-led, multi-sectoral plans and investments for managing climate and disaster risk management in development.
	• Screen all new operations for short- and long-term climate change and, where applicable, disaster risks, and, where risks exist, integrate appropriate resilience measures.
	• Support IDA countries to develop national energy action plans and investment prospectuses to achieve universal access to energy by 2030.
Strengthen monitoring and reporting of IDA resources used for climate change mitigation and adaptation	• Enhance monitoring by: (1) expanding climate finance coding system to cover tracking of ESW and TA with climate co-benefits in IDA countries; and (2) piloting a coding system to measure the share of IDA investments with disaster risk management co-benefits.

Fragile and Conflict-affected States

Objective	Proposed Actions
Design integrated WBG strategies addressing drivers of fragility and conflict and opportunities to build resilience	• 100 percent of country strategies in IDA FCSs informed by analysis of drivers of fragility and conflict.
	• IDA/IFC/MIGA Joint Business Plans in at least 10 IDA FCSs.
	• Strengthen efforts to integrate a gender perspective in IDA's support to FCSs, including with respect to country strategy and operations.
Enhance feedback from implementation experience in future operational engagements	• Implement Management response to the recommendations of the ongoing IEG evaluation of WBG support to FCSs.
	• Strengthen knowledge of what does and does not work in IDA FCSs through monitoring and evaluation, including impact evaluations, tracking of results of IDA operations and expanded use of beneficiary feedback mechanisms.
More agile operational policies and practices	• Implement OP/BP 10.00 which incorporates a differentiated approach to investment lending in FCSs.
Enhancing FCSs financing	• Implement revised IDA resource allocation framework for FCSs.

Annex 2. IDA 17. Changes to the IDA Results Measurement System

For IDA17, Management is proposing several changes to the RMS to further strengthen accountability to its shareholders and clients. The Management proposals aims at strengthening the RMS's strategic alignment with: (i) the strategic focus of IDA17 overarching theme, "Maximizing Development Impact", on leveraging public and private resources and knowledge, continued focus on cost efficiency and effectiveness, and results measurement and communications; (ii) the special themes of inclusive growth, gender, FCSs and climate change; (iii) the WBG's goals and strategic priorities, and (iv) the Corporate Scorecard. In addition, efforts have been made to ensure that indicators included in the RMS are monitorable and achievable and the size of the RMS remains sufficiently focused to provide a clear strategic vision of IDA's priorities and its progress towards them, as well as to take account of data availability for IDA countries. Following are tables summarizing the proposed changes to the RMS.

Table 1: Proposed Changes to Tier 1
(italics=new indicator; italics and *= changed indicator)

Poverty Eradication and Shared Prosperity Goals
Percent of population below US$1.25 a day
- *in FCSs*
[Shared Prosperity goal: indicator under development]
Inclusive Growth and Private Sector Development
GDP per capita (constant 2000 US$)
Employment to population ratio (15+)
- *Women*
- *Men*
Bank Accounts per 1000 adults
- *Women*
- *Men*
Trade Logistics Performance Index (average rating: 1=low to 5=high for IDA countries)
Gross capital formation (% of GDP)
- *Public*
- *Private*
*Mobile cellular telephone subscriptions (per 100 people)**
~~Time required for business start up (average number of days)~~
Governance and Institutional Development*
Number of EITI Compliant Countries
Quality of budgetary and financial management (average rating: 1=low to 6=high for IDA countries**)**
Level of Statistical Capacity
Infrastructure
Access to an improved water source (% of population)
Access to improved sanitation (% of population)
~~Access to an all season (% of rural population)~~
Household electrification rate (% of households)
Gender and Human Development
Under 5 mortality rate (per 1,000 live births)
Malnutrition prevalence, weight for age (% of children under 5)
Births attended by skilled health staff (% of total births)
Primary completion rate (% of children of primary school age)
- Girls
- Boys
Secondary enrollment rate
Ratio of girls to boys in secondary education
Prevalence of HIV/AIDS (% of population aged 15-49)
Maternal mortality ratio (modeled estimate, per 100,000 live births)
Adolescent fertility rate (births per 1,000 women ages 15-19)
Contraceptive Prevalence (% of women ages 15-49)
~~*Ratio of female to male labor force participation*~~
Climate Change and Environment*
Deforestation rate
~~CO2 emissions, metric tons per capita~~

Table 2: Proposed Changes to Tier 2
(italics=new indicator; italics and *= changed indicator)

A. Satisfactory Achievement of Development Outcomes (percentage)
Country Assistance Strategies Completion Reports (IEG ratings) Operations in all IDA countries (IEG ratings) - in FCSs ~~Analytical and Advisory Activities (ESW and non-lending TA)~~ *Client feedback on Bank effectiveness (overall) (four year average FY09-FY12)* - *ESW/TA (FY12 only)* - *Financing (FY12 only)*
B. Sectoral Outputs
Support to Institutions and Governance *Countries supported on strengthening national statistical systems* *Countries with strengthened Public Management Systems in tax policy and administration* **Educating children** Teachers recruited and/or trained **Protecting and saving lives** Children immunized Pregnant women receiving antenatal care during a visit to a health provider People with access to a basic package of health, nutrition or population services **Building and accessing vital infrastructure** Roads constructed or rehabilitated (km) People with access to improved water sources People with access to improved sanitation facilities *People in urban areas provided with access to improved urban services** *Transmission and distribution lines constructed or rehabilitated (km)** Access to electricity ***Agriculture Productivity and Food Security*** *Area provided with irrigation and drainage services (hectares)** ***Private Sector Development*** *Private capital mobilized by IDA operations ($)*

Table 3: Proposed Changes to Tier 3

(italics=new indicator; italics and *= changed indicator)

Portfolio Performance
~~Quality of design (%)~~ Disbursement ratio for investment lending projects (%) - in FCSs ~~Aid predictability (%)~~
Monitoring and Evaluation
Impact evaluations (#) (three year rolling annual average) Investment lending projects that have appropriate results frameworks (%) ~~First Implementation Status and Results Reports with adequate baselines for at least one key outcome indicator (%)~~ ~~IDA Implementation Completion and Results Reports (ICRs) that report on key results (%)~~ *Proportion of projects with beneficiary feedback*[1]
Use of Country Systems
~~Use of country Monitoring and Evaluation systems (%)~~ Use of country systems for Financial Management (%) Use of country systems for Procurement (%) ~~Collaborative Analytical and Advisory Activities (%)~~
Implementation of IDA Special Themes*
Proportion of IDA CASs that are aligned with the goals of ending poverty and promoting shared prosperity (with a focus on the income of the bottom 40% of the population in each country) *Proportion of IDA CASs that draw on and discuss the findings of a gender assessment; proportion of IDA CASs that incorporate gender considerations into the analysis, content of the program and the results framework** *Proportion of IDA operations that have gender-informed analysis and follow up* *Proportion of IDA FCS CASs that are informed by analysis of drivers of fragility and conflict* *Proportion of IDA CASs that discuss climate change vulnerabilities and disaster risk management** *Proportion of IDA operations with climate change co-benefits (as % of IDA commitments)*

Table 4: Proposed Changes to Tier 4
(italics=new indicator; italics and *= changed indicator)

Speed and Cost
Time from project concept note to approval for investment lending (months) ~~Time from project concept note to approval for investment lending in FCCs (months)~~ ~~Problem projects restored to "satisfactory" status within 12 months (%)~~ *Satisfactory implementation of active IDA operations (self evaluation)* - *in FCSs* Average project preparation costs ($000) Average project implementation support costs ($000) - *in FCSs* *Cost of sustaining, support, institutional and indirect services per US$100 million of portfolio of IDA* - *in FCSs* *Average expenditure for fiduciary and safeguard aspects ($000)* *Facetime index for IDA FCSs*
~~**Decentralization**~~
~~Decentralization of higher level staff to the field (%)~~ ~~Decentralization of task management to staff in the field working on (%)~~ ~~- Fragile situations~~ ~~- Non-fragile situations~~
~~**Mapping for Results**~~
~~Percentage of IDA projects that are geo-coded (%)~~
World Bank Group Collaboration
Number of IDA countries with IDA/IFC/MIGA joint business plans - *in FCSs* *Number of joint IDA/IFC projects*

Annex 3. EITI Status of IDA Countries Implementing EITI Processes

Compliant (15 countries)	**Candidate** (7 countries)	**Suspended** (6 countries)
Burkina Faso	Afghanistan	Central African Republic
Congo, Republic of	Cameroon	Congo, Democratic Republic of
Côte d'Ivoire	Chad	Madagascar
Ghana	Guinea	Mauritania
Kyrgyz Republic	São Tomé and Principe	Sierra Leone
Liberia	Solomon Islands	Yemen, Republic of
Mali	Tajikistan	
Mongolia		
Mozambique		
Niger		
Nigeria		
Tanzania		
Timor-Leste		
Togo		
Zambia		

Source:
http://eiti.org/countries

Annex 4. Support for Developing Programmatic, Country-owned Strategic and Investment Frameworks for Climate Change Resilient and Low Carbon Development

1. **Institutional strengthening for climate resilient development**. A number of useful models are emerging from the PPCR and the GFDRR. Financial support (ranging from US$225,000 to US$1.5 million per country) and technical assistance have been provided through PPCR and GFDRR to 35 IDA countries to develop programmatic, country-owned investment frameworks, designed to pilot and demonstrate transformative climate resilient pathways. The PPCR process is country-led and begins with a comprehensive stocktaking and analysis of key climate risks and vulnerabilities through the use of hydro-meteorological information and climate and development models. This is followed by preparation of a strategic program of investments that considers development priorities and resilience to major climate priority risks and opportunities. Emerging results indicate a strong analytical work, multi-sectoral and multi-stakeholder coordination closely aligned with development plans are essential components for integration and strategic programming. The planning process has taken about 18-24 months and resulted in inter-ministerial and inter-stakeholder cooperation or institutional structures for further development and implementation of investment plans. These institutional structures are the basis for prioritizing investments and blending development and climate finance. The experience to dates suggests that these could be useful models for broader implementation in IDA countries. Currently 17 countries, mostly in the Nile Basin, have expressed interest in accessing PPCR support and potentially an additional six Small Island Developing States that have not received GFDRR/PPCR support.

2. **Low Emissions Development Strategy (LEDS)**. A Low-Emissions Development Strategy is a country driven, long-term strategy that is developed through a multi-stakeholder and consultative process at a national/sub-national level. It articulates actions, policies, programs and plans to promote low carbon development. The process helps to identify and prioritize Nationally Appropriate Mitigation Actions (NAMAs). Through the LEDS and NAMA processes, countries have been able to attract public and private sector finance to scale-up low carbon development. Results suggest a number of critical elements including: implementing low emissions policies and investments; enhancing coordination across ministries and engaging on NAMAs at a national/ sub-national level; improving data streams and access to information; developing Monitoring, Review and Verification (MRV) frameworks necessary to secure international support; and obtaining finance for implementation. Given the collaborative efforts of developing LEDS, strengthened coordination and collaboration among partners is often one of the outcomes of the process. As a contribution to the LEDS agenda, the World Bank has been a partner in conducting Low Carbon Studies (LCS) in a number of IDA countries including India, Vietnam and Nigeria. As part of a collaborative effort, Low Carbon Studies have provided upstream support to integrate climate considerations into long-term planning processes (www.esmap.org) and have contributed to strategic planning and specific investments in energy efficiency in sectors such as transport and manufacturing.

3. **Forest and carbon funds – supporting readiness for implementation**. The FCPF, which became operational in June 2008, is a global partnership focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, sustainable

management of forests and enhancement of forest carbon stocks (REDD+). The FCPF complements the UNFCCC negotiations on REDD+ by demonstrating how REDD+ can be applied at the country level and by learning lessons from this early implementation phase. The FCPF has created a framework and processes for REDD+ readiness for future systems of financial incentives for REDD+. The framework guides each participating country to develop the basis of estimating emission reductions and REDD payments, develop a REDD+ strategy, design a monitoring system and set up REDD+ national management arrangement that is inclusive of key national stakeholders.

Annex 5. Exceptional Regime for Countries Facing "Turn-around" Situations

Proposed Implementation Arrangements

1. **This annex sets out the implementation arrangements for providing enhanced IDA support under the exceptional regime for countries facing "turn-around" situations**. Specifically, this annex provides the definition of a "turn-around" situation and describes the process and criteria for determining country eligibility and the level of resources that could be allocated. The annex also sets out the criteria for regular monitoring of performance of countries receiving exceptional support, for re-application for exceptional support, and for a country's return to the regular PBA system. Lastly, the annex sets out the Management's plans for updating the framework as more information becomes available and for reporting on the implementation experience at the IDA17 MTR.

2. **The design and implementation of the framework for the exceptional "turn-around" regime is guided by three key principles**. Specifically:

- **a strong effectiveness focus**, as evidenced by the process involving: (i) strong signals to commitment to reform as key pre-conditions for eligibility; (ii) country performance (both, on policies and institutions as well as portfolio performance) as the basis for determining country allocations; and (iii) multiple monitoring and feedback elements informing the decisions on the level of support during the eligibility period, continued provision of enhanced support and the return of a country to the regular PBA system.

- **strong coordination with the other international actors**, since the provision of enhanced support under this exceptional regime will only be possible if in the context of a coordinated action from the development community; and

- **strong Board involvement and oversight** at key steps of the process, including through consultation at the time of eligibility decisions and when deciding on the continued provision of enhanced support as part of the re-application process.

3. **Definition of "turn-around" situation**.[97, 98] For the purpose of the proposed exceptional regime, a "turn-around" situation will be defined as a critical juncture in a country's development trajectory providing a significant opportunity for building stability and resilience to accelerate its transition out of fragility marked by:

[97] As pointed out at the time of the first IDA17 meeting, given the complexity of fragility and conflict, a single definition cannot fully capture all possible aspects of a "turn-around" situation. During the 1st IDA17 meeting several Participants expressed support for a flexible definition of a "turn-around" situation pointing out to the possible negative effect of over-defining the regime upfront.

[98] The 2011 WDR defines "transition moments" as events that make new efforts to prevent or recover from violence possible. These can involve space for deep and wide-ranging change (e.g., the end of a war, a deep national crisis) or more limited change (e.g., a new governmental reform plan, negotiations or coalition-building between different actors in society). The proposal for providing exceptional support to "turn-around" countries would aim, albeit not exclusively, at events falling in the former category rather than in the latter one.

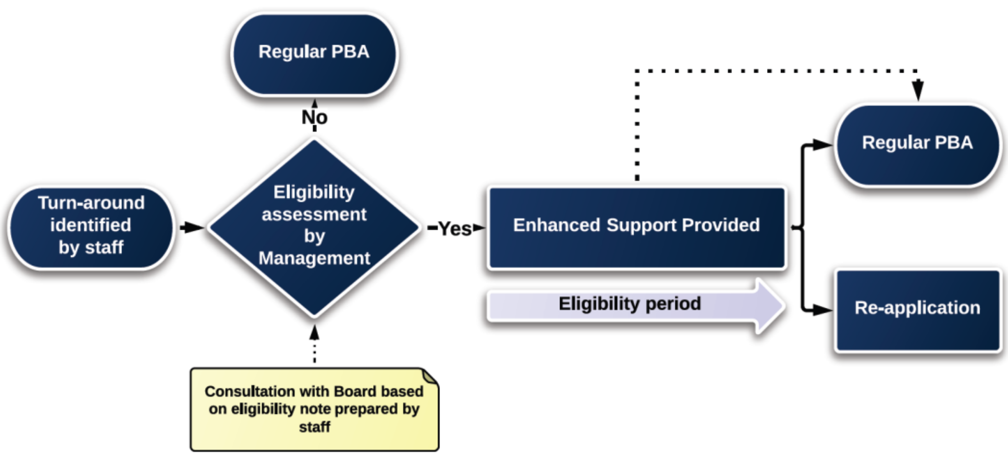
(i) the **cessation of an ongoing conflict** (e.g., interstate warfare, civil war or other cycles of violence and/or partial state collapse that significantly disrupt a country's development prospects); or

(ii) the **commitment to a major change in the policy environment** following:

- a **prolonged period of disengagement from Bank lending**; or
- a **major shift in a country's policy priorities addressing critical elements of fragility**.

4. **Process**. The exceptional regime for countries facing "turn-around" situations will follow a transparent and robust decision making process. The objective of the proposed process is to strike a balance between rules and flexibility and to incorporate elements of strong Board oversight and collective action by international actors (with a clearly defined role for IDA). The process (see Figure 1) comprises three key steps, namely: (i) the eligibility assessment; (ii) the provision of support under the exceptional regime; and (iii) the exit of/re-application for the exceptional "turn-around" regime. The process and criteria intervening at each of these steps are detailed below.

Figure 1: Exceptional "Turn-around" Regime. Summary Process



5. **Step 1: Eligibility**. Granting eligibility for support under the exceptional "turn-around" regime will be a decision by Management. This decision will be informed by: (i) an eligibility note prepared by staff; and (ii) feedback received during consultations with Executive Directors. The eligibility process will follow a two-stage approach similar to the one used in the context of the CRW when access to the window is prompted by natural disasters. Specifically:

- **Stage 1**. Bank Management will inform IDA's Executive Directors of its intention to grant eligibility to a country shortly after a "turn-around" situation has been identified. Bank Management would assess the adequacy of providing "turn-around" support to a country based on:
  - An eligibility note prepared by Bank staff

The note will include an analysis demonstrating that a country meets the criteria for receiving exceptional "turn-around" support (detailed in paragraph 6 below). In particular, the analysis would need to demonstrate:

(i) that the country is facing opportunities associated with a "turn-around" situation as per the definition above (i.e., a critical juncture in the country's development trajectory that provides a significant opportunity for building stability and resilience to accelerate its transition out of fragility characterized by one of the types of situations described in paragraph 3);

(ii) that the provision of enhanced support by IDA is part of a concerted action by the international community (i.e., outline the consultations undertaken with other international partners, as appropriate) with a well-defined role for IDA; and

(iii) the compatibility of providing enhanced support with other Bank policies, procedures and requirements applicable to the country in question (e.g., those applicable to countries emerging from conflict or to re-engagement in inactive countries).

The note will also propose:

(i) a monitoring framework to assess the country's progress during its transition. This framework will include reforms, policy measures, as well as indicators and related guideposts for assessing the country's performance.[99] It could also include specific measures or reforms, considered as critical, the lack of satisfactory implementation of which (either during the eligibility period or by its end – as deemed relevant) will result in the country's returning to the regular PBA-system;

(ii) the parameters for the provision of exceptional support (proposed per-capita allocation matrix, see paragraphs on resource allocation) within the context of the guidelines agreed with the Deputies as part of the replenishment discussions;

(iii) the duration of the period for the country's eligibility for exceptional "turn-around" support.

- The potential beneficiary country agreeing to and commencing implementation of a reform program endorsed by the Bank.
- The feedback received during the consultations with Executive Directors. As is the case with the CRW, the consultations with the Executive Directors would take place in the context of an oral briefing/update.

- **Stage 2.** The eligibility decision and the associated exceptional allocation would be formalized in the next CAS/ISN or would be included in the next operation for the country.

[99] Indicators to assess the country's performance during the eligibility period could include the CPIA, PCPI, PSIs – depending on progress in their development – as well as indicators on macroeconomic performance, progress on economic and social reforms and on the incidence of violence and conflict intensity, as considered relevant given the country context.

6. **Eligibility criteria.** The methodology for identifying countries eligible for exceptional "turn-around" support builds on the principles, criteria and signals that are used under the exceptional regimes for PC and RE countries and have made these regimes successful tools for selective engagement. Countries will be deemed eligible for exceptional "turn-around" support through a two filter approach:

- **Filter 1**. The objective of this filter is to limit access to exceptional "turn-around" support to countries where there is evidence that conflict and/or collapse of the state has had a significant impact on the country's institutional and policy framework.

  This evidence will be provided through assessments under the PCPI framework. Specifically, countries with a PCPI score greater than 5.5 (of a range from 1.0 to 6.0) will be, in principle, ineligible for exceptional "turn-around" support. Using this threshold is considered adequate as an overall PCPI score of 5.5 or higher will reflect a situation where the country's policy and institutional framework has addressed the impact of fragility and conflict across all the dimensions assessed under the PCPI framework (including those related to the risk of relapsing into conflict).

  It should be noted that using a PCPI score of 5.5 will not, in principle, preclude countries with CPIA scores above 3.2 (i.e., non-FCSs as per the current definition) from access to support under the exceptional regime.[100] Instead, it will limit the provision of such exceptional support to countries with CPIA scores above 3.2 where fragility and conflict – which are not duly captured in the CPIA – have an impact sufficiently large so as to translate into a PCPI score below the 5.5 threshold.

  Using the PCPI framework will provide a common metric – adapted to fragile situations – for measuring the quality of policies and institutions for all "turn-around" countries. This will entail expanding the country coverage of the PCPI exercise which is currently applied only to PC and RE countries. This will also entail the possibility of performing off-cycle PCPI assessments, if required by timing of a country's eligibility assessment.[101]

- **Filter 2**. The objective of this filter is to establish evidence that a potential candidate (i.e., a country meeting the requirements of Filter 1) is: (i) facing a "turn-around" situation (as per the definition in paragraph 3 of this annex); and (ii) committed to take

[100] The last round of revisions of the PCPI framework established a more explicit link between CPIA and PCPI whereby there is a broad correspondence between PCPI scores of 5.0-6.0 and CPIA scores of 3.0-3.5. This relationship, however, is indicative only, given that the contents of the two sets of criteria do not fully overlap.

[101] This approach would avoid undertaking PCPI assessments for all IDA countries, which will be a resource-intensive exercise. Instead, the selective approach described in what follows will be implemented. At the end of each fiscal year, PCPI assessments will be performed for all countries eligible for exceptional "turn-around" support. As part of the yearly exercise, staff will also undertake assessments for countries that – while not eligible for "turn-around" support – could become (in staff's view) eligible for such exceptional "turn-around" support. Only PCPI assessments for countries actually eligible for exceptional "turn-around" support will be publicly disclosed and will be the basis for determining the country's exceptional "turn-around" allocation for the year in which they become public. This is consistent with the current practice under the exceptional PC and RE regimes. However, unforeseen "turn-around" situations may emerge during a given fiscal year in countries which have not been assessed as part of the yearly PCPI exercise. For these countries, staff will undertake an off-cycle PCPI assessment for which staff will apply the same review and scrutiny than for the assessments performed as part of the regular yearly exercise.

the steps necessary to make the most out of that situation (e.g., avoid conflict, identify and address the drivers of fragility and conflict).

This filter is modeled based on Operational Policy 2.30 and other criteria currently guiding the decisions under the exceptional regimes for PC and RE countries as well as the policies and practices currently guiding IDA's re-engagement in inactive countries. Specifically, under filter 2, evidence would need to be provided of:

a. a reasonable expectation of continued stability;
b. an effective counterpart for the Bank;
c. concerted international support for a strong and inclusive national plan for turnaround/transition and the potential for a well-defined role for the Bank;[102, 103] and
d. satisfactory early performance as demonstrated, for example, by strong country portfolio performance or by the country having taken convincing steps towards social and economic recovery.[104]

For countries emerging from conflict, it would also be expected that active conflict has diminished sufficiently to allow implementation of IDA-supported activities, including by a reasonable expectation of a formal cease-fire.[105]

Credible signals for these conditions could be identified, inter alia, through assessments performed by Bank country teams, the CPIA and PCPI exercises, the tracking of PSIs being developed under the New Deal, country-led fragility assessments, and in transitions results frameworks and compacts signed onto by government and development partners.

7. **Step 2: Resource allocation.** Allocating resources under the exceptional "turn-around" regime would entail decisions regarding the level of the enhanced support, the duration of such support and an eventual phasing out to the regular PBA system. The elements that will guide these decisions are detailed below.

8. **Resource allocation.** Building on IDA's implementation experience, the proposed resource allocation process will preserve the positive features of the exceptional regimes for PC and RE countries while streamlining the process and enhancing the role of portfolio

[102] Concerted support from the international community could be demonstrated through donor conferences, alignment of a Post-Conflict Needs Assessment (PCNA) to the national plan and/or New Deal compacts.

[103] An inclusive national transition plan would reflect a nationally owned process of widespread consultation, through national dialogues, stakeholder consultation and an inclusive political process – "a country led assessment involving key national stakeholders and non-state actors on the causes and features of fragility and sources of resilience…." (New Deal document).

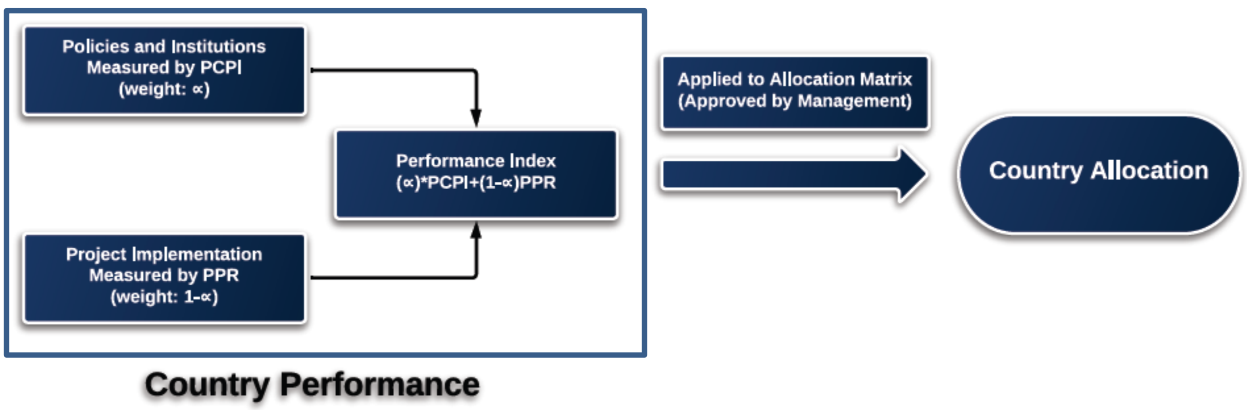
[104] The portfolio performance criterion, however, would need to be applied flexibly as it may preclude/limit the provision of enhanced financial support to post-conflict countries (where portfolio implementation has been disrupted by the conflict), inactive countries (where there is no active portfolio) or other countries with poor portfolio implementation where reforms undertaken in "turn-around" situations could lead to a qualitative change in project implementation.

[105] Examples of conflict reduction could include a reduction in the actual incidence of violence (measured in violent deaths, including battle deaths, civilian deaths and/or violence by non-state actors, or destruction), demonstrable and voluntary returns of displaced persons or other efforts to avoid violence, including truth and/or reconciliation campaigns, signing of ceasefire or other peace agreements, security sector reforms and commitment to demobilization, disarmament and reintegration programs.

performance.[106] Specifically, the allocations under the exceptional "turn-around" regime will be determined as part of the yearly allocation exercise.[107] Country allocations under the exceptional "turn-around" regime will be determined year by year. They will be equal to the eligible country's per-capita allocation (see details below) times its population and would be available for the duration approved by Management at the time of eligibility. The proposed process is illustrated in Figures 2 and 3.

9. **Determining a country's per-capita allocations.** A country's per-capita allocation for a given year will be determined using the matrix – approved by Management at the time of eligibility/re-application – and the country's performance index for that specific year (see Figure 2). This matrix sets out the level of per-capita allocations to the country as a function of a performance index that is a composite of the country's PCPI score and its PPR (see bullet below).[108] The per-capita allocations levels in the matrix will be guided by the matrix of notional maximum per-capita allocations agreed by the Deputies as part of the replenishment discussions.

Figure 2. Exceptional "Turn-around" regime. Determination of a Country's Allocation



- **Performance index**. The performance index will have the following specification:[109]

$$PI = (1{-}\propto)PCPI + (\propto)PPR$$

Several options could be considered for the weight of the PPR in the performance index: 8 percent (as per the PPR weight in the regular PBA formula), 16 percent (as the PPR

[106] For a detailed discussion of the positive features of the exceptional regimes for PC and RE countries relative to alternative structures see Box 3 of the FCSs paper for the first IDA17 replenishment meeting ("IDA's Support to Fragile and Conflict-affected States," March 2013.

[107] Following the practice under the PC and RE regimes, there will be flexibility to include newly eligible countries between two annual allocation exercises. Allowing for this flexibility would lead to increased volatility in IDA allocations for all IDA-eligible countries. The increased volatility, however, would be limited as the "cost" for enhanced financing to newly eligible countries would be distributed among all IDA clients during the fiscal year following the determination of eligibility.

[108] Including the PPR in the matrix of notional maximum per-capita allocations is a new feature relative to the current exceptional regimes for PC and RE countries. It will capitalize on recent improvement in portfolio performance in FCSs (as well as possible improvements that could result from implementing the Bank's modernization agenda) and enhance the incentives for portfolio performance.

[109] The proposed modality for determining a country's allocation would be broadly (except for threshold effects) equivalent to setting up two allocation tranches, the first one based on PCPI scores and the second one based on the PPR.

weight in the AfDB's regular PBA formula) or 20 percent (as per the PPR weight in allocation formula under the current exceptional PC regime).

Given that the PPR introduces a source of potential volatility, Management recommends that a cautious approach be taken at this stage for the incorporation of the PPR (i.e., use a weight of 8 percent). At the IDA17 MTR the PPR weight could be revised based on implementation experience.

Also, as pointed out earlier in this annex, the portfolio performance criterion would need to be applied flexibly as it may limit the level of exceptional support to PC countries (where portfolio implementation could have been severely disrupted by the conflict), inactive countries (where there is no active portfolio) or countries with poor portfolio implementation where reforms undertaken as part of the "turn-around" situations would lead to a qualitative change in project implementation.

Considering this, it is suggested that the weight of the PPR in the performance index agreed as part of the replenishment discussion be considered as indicative and that flexibility be considered based on country context. Country specific factors will determine if the indicative weight will be applied to the country from the time of eligibility. If otherwise, the eligibility note will have to propose (and duly motivate) the weight that would be applied during the initial years of the eligibility period and the path towards the indicative level. The expectation would be that, given the nature of "turn-around" situations, the indicative level should be reached relatively quickly (i.e., at the latest by the end of the eligibility period) and that such level should be sustained during possible re-applications.

- **Other country-specific considerations**. The heterogeneity of FCSs and the "turn-around" situations they could confront suggest that there should be room for qualitative judgment to consider country-specific circumstances in setting the per-capita allocation matrix, including the level and duration of the exceptional support already provided by IDA.[110]

  In general, it will be expected that – subject to absorption capacity considerations – only PC countries (in light of their significant needs) will have per-capita allocations close to the notional maximum levels agreed by the Deputies. Per-capita allocations for all other countries should normally be lower. As a rule of thumb, it is proposed that per-capita allocations to these countries be around half the notional maximum per-capita levels agreed by the Deputies (as per current practice under the exceptional regime for PC and RE countries).

[110] As detailed later in the text (re-application), one such country-specific factor will be the level and duration of the exceptional support already provided by IDA. This will be a key consideration while modulating the path for a country's transition to the regular PBA system.

For a country to benefit from PC considerations, evidence of conflict intensity will need to be provided as per the current exceptional PC regime.[111]

- **First-year allocations.** Given the acute need for resources that some countries could experience during the initial response to a "turn-around" situation, Management proposes that allocations higher than the ones in the matrix of maximum notional per-capita allocations be possible during the first year of eligibility for exceptional support. Such flexibility, would only be warranted in very special circumstances (e.g., in cases where the conflict has been extremely destructive, but where the government's capacity to implement a comprehensive recovery program has remained strong) and with due regard for absorption capacity considerations. It should be noted that this flexibility is part of the framework for allocating resources under the existing exceptional regimes for PC and RE countries.

- **Unused allocations**. To optimize the use of IDA resources, resources allocated under the exceptional regime for "turn-around" countries but not committed will be re-allocated as part of the re-allocation exercise (of country-allocable resources) undertaken in the last year of a replenishment period. This approach, already applied for the exceptional regimes for PC and RE countries, reflects the fact that the exceptional regime for "turn-around" countries will not constitute a set aside of IDA resources but a special regime within the broad IDA allocation system.

- **Capping**. Management considers that a cap on the level of exceptional "turn-around" support to any given country would be an important element in managing IDA's constrained resources.[112] IDA's experience with blend countries suggests that caps would need to be applied carefully and flexibly, balancing a country's needs with its absorptive capacity and the impact that allocations to populous countries (based on per-capita levels) can have on the allocations to other IDA-countries. Considering the above, Management proposes that an indicative cap be introduced to the level of exceptional "turn-around" support provided to any given country. It is proposed that such cap be initially set at 7 percent of IDA's country-allocable envelope. Also, it is proposed that an indicative overall cap of 15 percent of the overall IDA core financing be set for the overall support through the exceptional "turn-around" regime.

- **Duration.** As proposed by Management at the 1st IDA17 meeting, the exceptional "turn around" regime would not involve a pre-established "phase-out" period. Instead, the eligibility for exceptional "turn-around" support would be linked to the eligible country's

[111] Potential candidates for post-conflict considerations under the "turn-around" regime will therefore have to fall into one of the following three categories: (a) a country that has suffered from a severe and longstanding conflict which has led to extended inactivity as a borrower, or at least a substantial decline in the level of external assistance, including from IDA; (b) a country that has experienced a short but highly intensive conflict, leading to a disruption of IDA involvement; or (c) a newly sovereign state that has emerged through the violent break-up of a former entity. Furthermore, to be eligible to allocation levels close to the notional maximum per-capita levels agreed by the Deputies, a potential candidate will need to score "high" in at least one of the three following categories: (a) the extent of human casualties; (b) the proportion of the population that is internally displaced; and (c) the extent of physical destruction.

[112] Under the exceptional PC regime there is already special attention to avoid over-allocating scarce IDA resources to countries with large populations. Setting a cap on the level of support under the exceptional "turn-around" regime, especially in the context of a possible increase in the notional maximum per-capita allocation levels, would be consistent with this approach.

national plan associated with the "turn-around" situation. In that regard, the length of the eligibility period would be set, in principle, to the duration of such national plan (this could be a 2- to 3-year period, acknowledging that – in some cases – only a 1-year period could be possible).

Figure 3. Resource Allocation Process

At Replenishment Discussions	**During Eligibility Re-application Assessment**	
Deputies	**Staff**	**Management**
Provide guidance in the form of a matrix of notional maximum per-capita allocations as a function of a country's performance index • Matrix agreed during replenishment discussions	Proposes allocation applicable to country. Proposal included in eligibility note. Among others, proposal will consider: • Country needs • Absorption capacity	Approves per-capita allocation applicable to country. Approval decision informed by: • Matrix agreed during replenishment discussions • Staff eligibility note • Level and duration of exceptional support already provided • Board feedback • Subject to absorption capacity, only PC countries could have allocations close to notional maximum levels. • Allocations to other countries normally around half the notional maximum levels.

Performance Index $(1-\propto)PCPI + (\propto)PPR$	**Notional Maximum Per-capita Allocation**
Range 1	Allocation 1
…	…
Range N	Allocation N

10. **Re-application**. At the end of the eligibility period, and if the "turn-around" process is successful (as demonstrated by the country's progress under the monitoring framework set out in the eligibility note), the country could re-apply for continued support under the exceptional "turn-around" regime. The decision on renewing a country's eligibility for exceptional "turn-around" support will be case-by-case and it will involve the same decision process and use the same criteria and principles as for a newly eligible country. The possibility of re-application, rather than pre-established "phase-out" periods, would increase IDA's flexibility to respond to changing conditions in FCSs, including through the adequate calibration of allocation levels. Furthermore, flexible timing would allow alignment of the support under the exceptional "turn-around" regime to national strategic planning. The proposed framework for the exceptional "turn-around" regime entails the revision of the adequacy of a country's allocation level as part of this re-application process. This feature would allow for modulating the level of exceptional support to ensure a timely and smooth transition to the regular PBA system. In that regard, a key element in deciding the level of support for a re-applying country would be the level and duration of the exceptional support already provided by IDA to the country.

11. **Exit mechanism**. A country's eligibility for exceptional "turn-around" support would be terminated (i.e., the country would return to the regular PBA system) under three circumstances. First, at the end of the eligibility period if the country is no longer in a "turn-around" situation

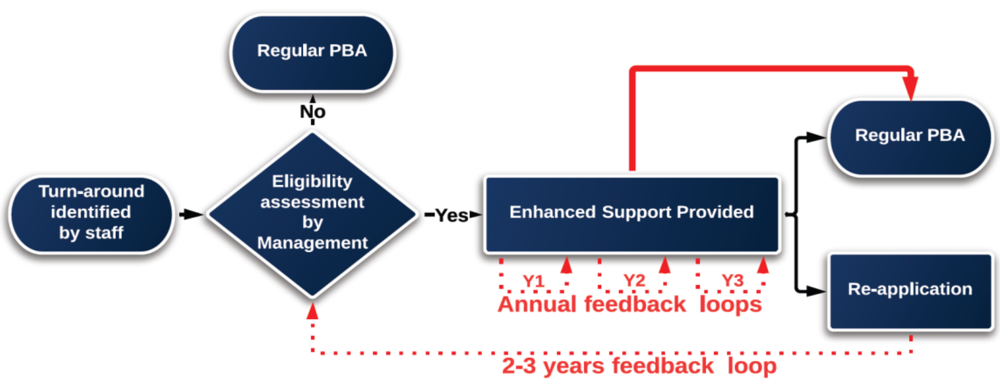
(as per the definition and criteria set out under this framework).[113] Second, at the end of the eligibility period if the country's performance is not satisfactory as per the monitoring framework set out in the eligibility note. Third, if the country fails to implement the specific measures or reforms considered as critical and that would be included in the eligibility note (see paragraph 5). In the last circumstance, the return to the regular PBA system will take place at the beginning of the fiscal year immediately following the date set out in the eligibility note for the implementation of such critical measures or reforms.[114] As pointed out at the 1st IDA17 replenishment, relative to the current exceptional PC and RE regimes, a re-application process would allow for a quicker return to the regular PBA system if countries cannot demonstrate progress in their "turn-around" process.

12. **Feedback loops**. The exceptional "turn-around" regime incorporates enhanced feedback mechanisms relative to the current exceptional PC and RE regimes. As illustrated in Figure 4, the proposed framework responds to:

- Country performance as per the monitoring framework set out in the eligibility note. This creates a 2- to 3-year feedback loop aligned with the national plan associated with the "turn-around" situation. This feedback loop entails the return to the regular PBA system if performance under such monitoring framework is not satisfactory.

- Country performance as measured by its PCPI score and PPR. This creates annual feedback loops by which allocations increase/decrease depending on the evolution of these indicators.

Figure 4. Feedback loops



13. **Incorporation of elements of the New Deal**. As pointed out at the 1st IDA17 meeting, many elements of the New Deal are currently in development. Some of these elements could

113 Note that the definition of a "turn-around" situation entails not only the notion of an opportunity for change but also evidence of commitment by the country and satisfactory early performance.

114 At the same time, it is important to avoid on and off interventions –particularly in the FCSs context. In that regard, consideration could be given to continue providing exceptional "turn-around" support depending on the degree of reversal in a country's progress under its "turn-around" process. If deemed appropriate, the enhanced support could be continued with due consideration of the country implementing remedial actions and the recalibration of the level of exceptional support.

help inform Management's decisions under the exceptional "turn-around" regime as useful inputs to measure a country's progress towards peace- and state-building.[115] Examples of such elements include fragility assessments, national plans associated to a "turn-around" situation, donor compacts and the PSIs.[116] Given its pilot nature, Management will need to be adaptive on how these elements are used to inform its decisions under the exceptional "turn-around" regime.

14. At the time of the IDA17 Mid-Term Review, Management will report its experience on implementing the exceptional "turn-around" regime and propose adjustments to the framework as needed. The proposed framework for the exceptional "turn-around" regime incorporates several new elements relative to the current exceptional post-conflict (PC) and re-engaging (RE) regimes. Some of these new elements are currently under development, especially the ones linked to the New Deal process (e.g., Fragility Assessments, PSIs). In this context, Management will have to adapt the framework as progress on these new elements unfolds. The proposed reporting by the IDA17 MTR will elaborate – in light of implementation experience – on possible adjustments to the definition of a "turn-around" situation as well as on the process and criteria underpinning the framework. It will also report on the modalities for incorporation of the elements currently in development under the New Deal and the enhanced role of portfolio performance under the new exceptional regime.

---

115 Depending on progress, such elements could help inform eligibility decisions, the monitoring framework set out at the time of eligibility, and decisions regarding the eventual return of a country to the regular PBA system. They could also provide evidence of country ownership and of a country's commitment to address the underlying causes of fragility and conflict as well as of the alignment of the international community behind a credible country's strategy.

116 It should be noted that several of the dimensions currently under consideration for assessment as part of the peace- and state-building indicators are already included under the PCPI framework or could be incorporated as elements of the PCPI assessment in the future.

Annex 6. Country Performance Exponent: Assessment of Different Options

1. **Reducing the CPR exponent increases the poverty orientation of IDA resources**. In addition, it increases the incentives for performance for countries at the lower end of the performance spectrum.[117] The decision on the new level for the CPR exponent should be informed by several elements, most notably: the impact the overall performance orientation of the allocation system, the reach of the enhanced incentives for performance, the trade-offs that would be generated and considerations of alignment in the allocation systems among different institutions. This annex elaborates on the reach of the enhanced incentives for performance.

2. **Regular PBA allocation formula**. A country's allocation under the current regular PBA system is determined by the formula:

$$A_i = \left(\frac{CPR_i^5 GNIpc_i^{-0.125} P_i}{\sum_j \left(CPR_j^5 GNIpc_j^{-0.125} P_j\right)}\right) AE$$

Where:

- A_i is country i's allocation
- CPR_i is country i's country performance rating
- $GNIpc_i$ is country i's GNI per-capita
- P_i is the country i's population
- AE is IDA's country-allocable envelope

3. **Changes on incentives to performance**. The changes on the incentives to performance generated by modifying the CPR exponent from its current level of 5 to a level α (as measured by the slope of the allocation curve) would be equal to:

$$CPR_i^{(\alpha-5)} \left(\frac{\alpha}{5}\right) \left(\frac{\sum_j \left(CPR_j^5 GNIpc_j^{-0.125} P_j\right)}{\sum_j \left(CPR_j^\alpha GNIpc_j^{-0.125} P_j\right)}\right)^2 \left(\frac{\sum_j \left(CPR_j^\alpha GNIpc_j^{-0.125} P_j\right) - \left(CPR_i^\alpha GNIpc_i^{-0.125} P_i\right)}{\sum_j \left(CPR_j^5 GNIpc_j^{-0.125} P_j\right) - \left(CPR_i^5 GNIpc_i^{-0.125} P_i\right)}\right)$$

Values for the above expression greater than 1 indicate the region of the CPR where incentives to performance increase. Similarly, the CPR region where incentives to performance decrease will be characterized by values lower than 1. Furthermore the difference between the value of the ratio and 1 is indicative of the magnitude of the increase/decrease in the incentives to performance.

4. **Assessment of possible exponents**. Below is a chart showing the expression in paragraph 3 as a function of the CPR for different values of α (4, 3 and 2). The arrows at the bottom of the chart show the CPR region where incentives to performance are increased for the assumed values of α (i.e. the CPR region where the value of the expression is greater than 1). In general, the lower the CPR exponent, the smaller the CPR region with enhanced incentives and the greater the enhancement of incentives for countries in that region. This also means that the lower the CPR exponent, the bigger the CPR region with reduced incentives and the greater the

[117] See Annex 8 of the document "Progress Report on IDA Support to Fragile and Conflict-affected Countries," October 2012 for a discussion on the options considered for enhancing the poverty-orientation of the allocation system.

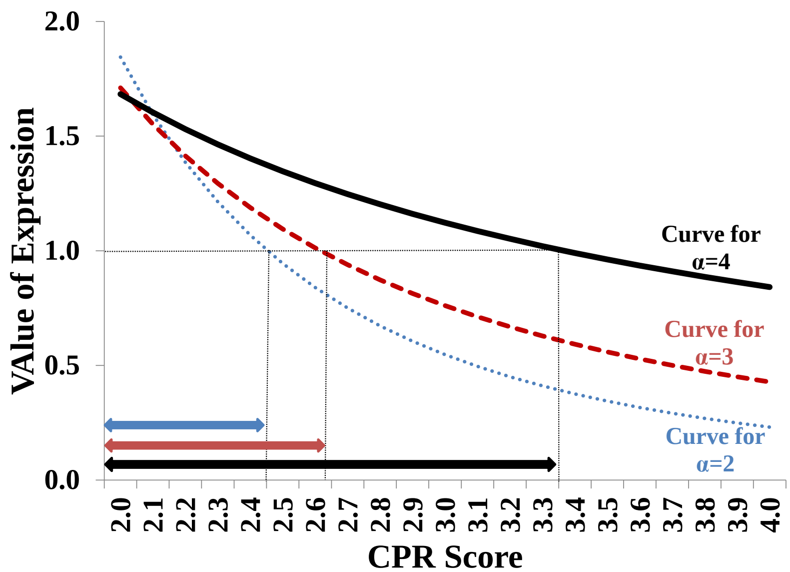
reduction in the incentives for countries in that region. With respect to the values of α in the chart, lowering the CPR exponent from 5 to:

- 4 would enhance incentives for countries with a CPR below 3.4 (i.e., about 60 percent of the countries currently under the regular PBA).

- 3 would enhance incentives for countries with a CPR below 2.7 (i.e., about 8 percent of the countries currently under the regular PBA).

- 2 would enhance incentives for countries with a CPR below 2.5 (i.e., about 2 percent of the countries currently under the regular PBA).

Figure 1. Impact on Incentives to Performance



5. **The above suggests that reducing the CPR exponent from 5 to 4 provides the best balance** between generating increased incentives for performance and maximizing the number of countries affected by the increase in incentives.

Annex 7. Parameters Guiding the Implementation of the Proposed Allocation Framework

(i) Exceptional Regime for Countries Facing "Turn-around" Situations

Parameter	Assumptions	Comments
Notional Maximum Per-capita Allocation Matrix 1/ 2/	Scenarios 3 to 5 assume the implementation of the exceptional "turn-around" regime. Relative to the matrix agreed in IDA14 for the exceptional PC regime: • Scenario 3 assumes a 50 percent increase. • Scenarios 4 and 5 assume a 100 percent increase. The resulting matrixes are below:	• To be agreed as part of the replenishment discussions. • The matrix sets out the highest levels of per-capita support per year that a country could receive under the "turn-around" regime. • Such levels are expressed as a function of a performance index which is a composite of the country's PCPI and PPR.

Scenario 3

Performance Index	US$ per year
2.0 to 2.5	5.1
2.5 to 3.0	9.0
3.0 to 3.5	12.8
3.5 to 4.0	17.9
4.0 to 4.5	21.6
4.5 to 5.0	25.5

Scenarios 4 and 5

Performance Index	US$ per year
2.0 to 2.5	6.8
2.5 to 3.0	12.0
3.0 to 3.5	17.0
3.5 to 4.0	23.8
4.0 to 4.5	28.8
4.5 to 5.0	34.0

(ii) Regular PBA system

Parameter	Assumptions	Comments
CPR exponent	Scenarios 2 to 5 assume that the CPR exponent is reduced from 5 to 4.	Lower exponents increase trade-offs.
Minimum Base Allocation 3/	Scenarios 2 to 5 assume an increase in the minimum base allocation from SDR3 million per year to SDR4 million per year.	Minimum allocation, independent of country performance.

(iii) Interim Measures

Criteria	Assumptions	Comments
Case-by-case extension of phasing out period	Criteria: (i) limited economic status and financing options (GNI per-capita lower than the IDA operational cutoff and lack of access to IBRD financing); (ii) clear factors slowing down transition, most notably a resurgence or continuation of conflict in parts of the country (measured by the presence of UN Security Council mandates for peace-keeping forces - with the exclusion of border monitoring missions); and (iii) average PPR for last three years of at least 3.0. Decision rule: extend phase out if (i) and at least one among (ii) or (iii) are met.	Based on actual figures, Afghanistan, Burundi, CAR, DRC, Haiti and Togo would have their phasing out periods extended. The original phasing out periods for Côte d'Ivoire and Liberia end in FY17.

1/ As pointed out in the main text, in principle, the highest levels of per-capita support would be granted only to post-conflict countries. For other countries, the expectation would be that the level of support would be half the maximum levels. Also, flexibility would be contemplated on the allocations for the first year of eligibility. See Annex 5.

2/ Using a matrix follows the model agreed in IDA14. To eliminate discontinuities on the incentives for performance, consideration could be given to increase the granularity of the matrix or to substitute the matrix by a continuous function of the performance index.

3/ Staff estimates indicate that a SDR1 million increase in the minimum base allocation would lead to an average increase in IDA's allocation to small states by 20 percent (and higher than 30 percent for some of them). The cost for other IDA clients would be relatively small (less than 1 percent reduction in the allocation to the most affected countries).

Annex 8. Estimated IDA Allocations under the "Ask" Paper Scenarios

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Allocation Levels (US$ million)					
I. Non-FCS	34,846	34,850	35,047	35,348	36,751
II. FCS 1/	4,823	5,521	6,782	7,881	8,024
of which:					
Post-conflict countries	2,250	2,571	3,128	3,689	3,747
Re-engaging countries	904	1,018	1,314	1,613	1,628
Other FCS	1,670	1,932	1,937	1,948	2,018
Per Capita Allocations (US$)					
I. Non-FCS	15.2	15.2	15.3	15.5	16.1
II. FCS	11.9	13.7	16.8	19.5	19.9
of which:					
Post-conflict countries	11.4	13.1	15.9	18.8	19.1
Re-engaging countries	10.9	12.3	15.8	19.4	19.6
Other FCS	13.4	15.6	15.6	15.7	16.3
MEMORANDUM ITEMS:					
1. Share of Total Allocations (percent)					
Non-FCS	87.8	86.3	83.8	81.8	82.1
FCS	12.2	13.7	16.2	18.2	17.9
2. Small States					
Allocation (US$ million)	627.4	718.0	719.0	721.1	735.0
Per capita allocation (US$)	50.4	57.6	57.7	57.9	59.0
3. Performance Orientation					
Top Quintile (% of Lowest Quintile)	500.3	398.8	329.0	280.9	287.8
Top Quintile (Relative to Scenario 1*)	98.5	91.3	91.7	92.3	96.0

Note:

1/ Total figures for FCSs for Scenarios 3 to 5 include , as a working assuption, the estimated exceptional "turn-around" support.

Annex 9. IDA's Support by Country Categories
Estimated Impact of Implementing the Proposed Allocation Framework

1. **This Annex presents the estimated impact of the different components of the proposed allocation framework applicable to each of the scenarios in the "ask" paper.**[118] The estimated impact of such components is presented with a breakdown between FCSs and non-FCSs, which allows for identifying the associated trade-offs. To facilitate the discussion, the analysis also isolates the impact of the different levels of IDA core financing underpinning the scenarios.

2. **Impact on FCSs** (see Figure 1). For FCSs, the bulk of the increase in core financing under all of the scenarios is driven by the progressive inclusion of the components of the proposed allocation framework. Specifically, the incremental impact of the modifications to the allocation framework under the different scenarios is as follows:

- *Scenario 1*. The proposed case-by-case extension of the phasing out period (one of the two interim measures proposed for IDA17) results in a US$0.5 billion increase in financing.

- *Scenario 2*. Relative to scenario 1, an additional US$0.6 billion in financing results from making the proposed modifications to the regular PBA system (i.e., reduction of the CPR exponent from 5 to 4, increase of the minimum base allocation to SDR4 million per year and assuming the elimination of the MDRI netting out).

- *Scenario 3*. Compared to scenario 2, an additional: (i) US$0.4 billion are channeled by setting up the proposed exceptional "turn-around" regime (assuming per-capita support levels 50 percent higher than the ones agreed for the exceptional PC regime in IDA14);[119] and (ii) US$0.7 billion result from aligning the support to countries currently under the exceptional PC and RE regimes with that under the "turn-around" regime (the second interim measure proposed for IDA17).

- *Scenario 4*. Relative to scenario 3, the additional financing for FCSs is as follows: (i) US$0.2 billion result from increasing the level of per-capita support under the exceptional "turn-around" regime by 100 percent of the IDA14 level for PC countries; and (ii) US$0.7 billion result from aligning the support to countries currently under the exceptional PC and RE regimes to the new levels for "turn-around" countries.

---

[118] For scenario 1, the impact is estimated as the difference between scenario 1 and the figures resulting from applying the IDA16 allocation framework to the level of core financing assumed under scenario 1. For the other scenarios, the impact is estimated as the difference between the estimates for each scenario and the estimates for previous one (e.g., the impact for scenario 2 is estimated as the difference between scenario 2 estimates and the ones for scenario 1).

[119] The estimates for "turn-around" support are based on the working assumption that IDA-only FCSs with GNI per-capita below the IDA operational cutoff (not currently under the PC or RE regimes and not small islands) would become eligible and qualify for exceptional support in amounts equivalent to a quarter of the maximum level they could get under the regime (this share was assumed to reflect the fact that not all of these countries would actually qualify for exceptional turn-around regime). These estimates should be considered as highly preliminary, in particular given that (subject to meeting the requirements and following the decision process detailed in the previous section) some countries currently under the exceptional PC and RE regimes and some non-FCSs could become eligible for exceptional "turn-around" support.

- *Scenario 5*. There is no additional core financing to FCSs resulting from applying the proposed allocation framework (though there is a small increase reflecting the higher core financing envelope).

- The *incremental* impact of the increases in the overall core financing is estimated at US$0.1 billion for scenarios 1 through 5. In scenario 5, the *cumulative* impact of such increases amounts to US$0.5 billion, equivalent to about 15 percent of the cumulative impact of the modifications to the allocation framework.

Figure 1. IDA Core Financing to FCSs. Incremental and Cumulative Impact of the Components of the Proposed Allocation Framework

Figure 1.A. Incremental Impact

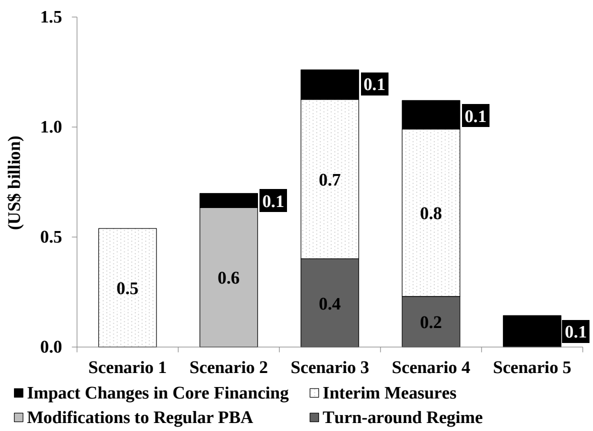
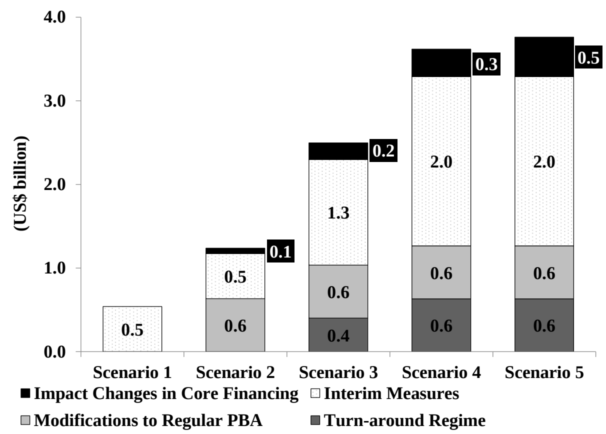


Figure 1.B. Cumulative Impact



3. **Impact on Non-FCSs** (see Figure 2). The size of the IDA core envelope across the different scenarios drives the level of financing for non-FCSs. Each of the scenarios in the "ask" paper represents a nominal increase over IDA16 (net of graduations). With the exception of Scenario 5, the non-FCSs receive a relatively smaller share of the increases that become available as the scenarios increase. As illustrated in Figure 2, the proposed modifications to the allocation framework reduce the level of core-financing potentially available to non-FCSs. Only between scenarios 4 and 5 do the non-FCS receive a larger share of the overall increase in core IDA funding.

4. **Impact on five most affected non-FCSs** (see Figure 3). The trade-offs at the country level may in some cases be sharper than for non-FCSs as a group. For some countries, the impact of implementing the proposed allocation framework would not be netted out by the changes in the core financing envelope. Figure 3 shows the impact on the five non-FCSs most heavily affected by the changes in the allocation framework. For these countries, the increase in the core financing envelope would offset between 13 percent (in scenario 2) and 71 percent (in Scenario 5) of the impact of the changes to the allocation framework for FCSs. It should be noted that these non-FCSs would receive – as a group – levels of core financing under all the scenarios higher than in IDA16 (with increases ranging from 5 percent under scenario 2 to 15 percent under scenario 1).

5. **Detailed figures of the estimated impact of the different components are provided in Table 1 at the end of this annex**.

Figure 2. IDA Core Financing to non-FCSs. Incremental and Cumulative Impact of the Components of the Proposed Allocation Framework

Figure 2.A. Incremental Impact

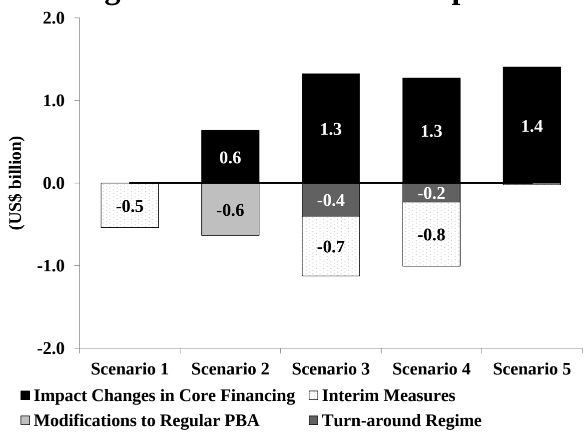


Figure 2.B. Cumulative Impact

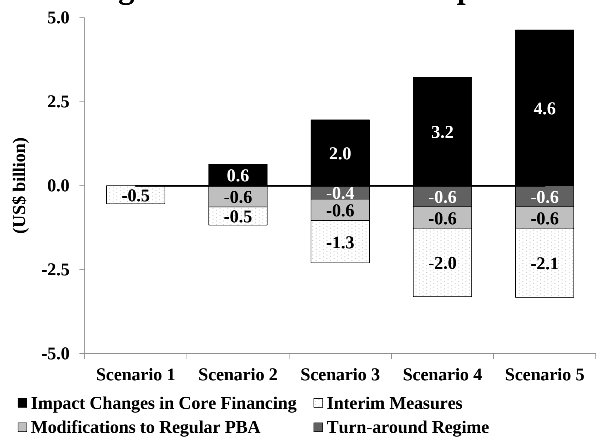


Figure 3. IDA Core Financing to Five most-Affected non-FCSs. Incremental and Cumulative Impact of the Components of the Proposed Allocation Framework

Figure 3.A. Incremental Impact

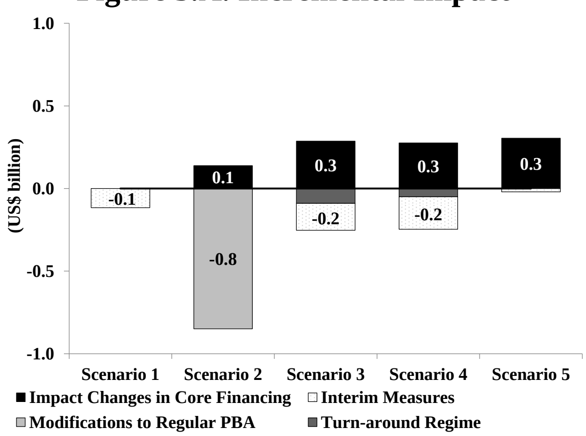


Figure 3.B. Cumulative Impact

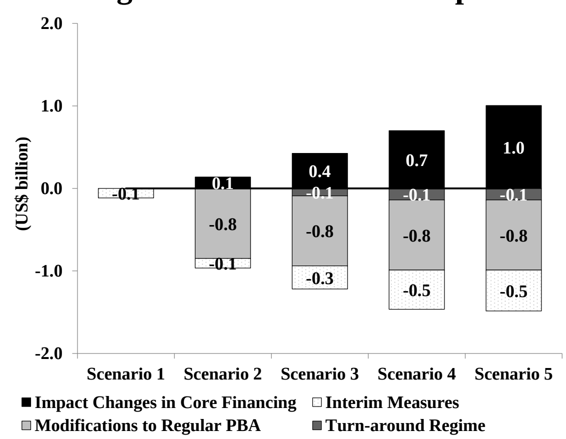


Table 1. Components of the Proposed Allocation Framework
Estimated Impact of their Implementation on FCSs and non-FCSs
(US$ million)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Cummulative	Incremental	Cummulative	Incremental	Cummulative	Incremental	Cummulative	Incremental	Cummulative	Incremental
Total Impact on FCSs	**539**	**539**	**1,238**	**698**	**2,498**	**1,260**	**3,598**	**1,100**	**3,741**	**143**
1) Changes to the allocation system	539	539	1,173	634	2,299	1,126	3,269	970	3,269	0
i) Exceptional Turn-around Regime	0	0	0	0	402	402	632	231	632	0
ii) Regular PBA system	0	0	634	634	598	-36	577	-20	577	0
iii) Interim measures	539	539	539	0	1,299	760	2,060	760	2,060	0
2) Replenishment size	0	0	65	65	199	134	329	130	473	143
Total Impact on Non-FCSs	**-539**	**-539**	**-535**	**4**	**-338**	**197**	**-37**	**301**	**1,367**	**1,404**
1) Changes to the allocation system	-539	-539	-1,173	-634	-2,298	-1,125	-3,268	-970	-3,268	0
i) Exceptional Turn-around regime	0	0	0	0	-402	-402	-632	-231	-632	0
ii) Regular PBA system	0	0	-634	-634	-597	36	-576	21	-576	0
iii) Interim measures	-539	-539	-539	0	-1,299	-760	-2,060	-760	-2,060	0
2) Replenishment size	0	0	638	638	1,960	1,322	3,231	1,271	4,635	1,404
Total Impact on Five Most Affected Non-FCSs	**-116**	**-116**	**-828**	**-711**	**-794**	**33**	**-739**	**56**	**-435**	**304**
1) Changes to the allocation system	-116	-116	-966	-849	-1,219	-253	-1,439	-220	-1,439	0
i) Exceptional Turn-around regime	0	0	0	0	-90	-90	-140	-50	-140	0
ii) Regular PBA system	0	0	-849	-849	-822	27	-801	21	-801	0
iii) Interim measures	-116	-116	-116	0	-307	-190	-497	-190	-497	0
2) Replenishment size	0	0	138	138	425	286	700	275	1,004	304

Note:
1/ The incremental impact for scenario 1 is the difference between IDA allocations under scenario 1 and the ones that would result by applying the IDA16 allocation system to the scenario 1 IDA country-allocable envelope. For all other scenarios, the incremental impact is estimated as the difference between the scenario for which the incremental impact is estimated and the previous one (e.g., the incremental impact for scenario 2 equals the scenario 2 estimates minus the ones for scenario 1).
2/ The cumulative impact reflects the addition of the incremental impact of the relevant scenarios.

Annex 10. IDA Per-capita Allocations per Performance Quintile under Different Scenarios

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Per-capita allocation (US$)	**Share of IDA 16 Allocation** (percent)	**Per-capita allocation** (US$)	**Share of IDA 16 Allocation** (percent)	**Per-capita allocation** (US$)	**Share of IDA 16 Allocation** (percent)	**Per-capita allocation** (US$)	**Share of IDA 16 Allocation** (percent)	**Per-capita allocation** (US$)	**Share of IDA 16 Allocation** (percent)
Quintile 5	51.8	114	48.0	106	48.2	106	48.5	107	50.4	111
Quintile 4	39.8	111	39.2	109	39.4	109	39.6	110	41.2	114
Quintile 3	23.2	99	24.9	106	25.0	107	25.1	107	26.2	112
Quintile 2	20.8	105	23.3	118	23.9	121	24.7	125	25.5	129
Quintile 1	10.3	117	12.0	136	14.6	165	17.3	195	17.5	198
Memorandum item										
Ratio Q5/Q1	*500*		*399*		*329*		*281*		*288*	