



IDA18

**Update on IDA Contribution to COVID-19 Pandemic
Response**

Development Finance Corporate IDA and IBRD (DFCII)

April 23, 2020

ACRONYMS AND ABBREVIATIONS

Fiscal year (FY) = July 1 to June 30

CERCs	Contingency Emergency Response Components	MIGA	Multilateral Investment Guarantee Agency
CMU	Country Management Unit	MPA	Multiphase Programmatic Approach
CRW	Crisis Response Window	NCBP	Non-Concessional Borrowing Policy
DPF	Development Policy Financing	PBA	Performance Based Allocation
DRC	Democratic Republic of the Congo	PforR	Program for Results
EMDE	Emerging Markets and Developing Economies	PSW	Private Sector Window
FTCF	Fast Track COVID-19 Facility	RSE	Real Sector Envelope
GDP	Gross Domestic Product	RSW	Refugee Sub-Window
IBRD	International Bank for Reconstruction and Development	RW	Regional Window
IDA	International Development Association	SDGs	Sustainable Development Goals
IFC	International Finance Corporation	SIEs	Small Island Economies
IMF	International Monetary Fund	SMEs	Small and Medium-sized Enterprises
IPF	Investment Project Financing	SSA	Sub-Saharan Africa
IRM	Immediate Response Mechanism	SUF	Scale-up Facility
MDBs	Multilateral Development Banks	SUW	Scale-up Window
		WBG	World Bank Group
		WHR	Windows for Host Communities and Refugees

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I. INTRODUCTION

1. **The world is experiencing an unprecedented crisis.** The health and economic crisis triggered by the COVID-19 pandemic has called for extraordinary public health measures to stem and slow its spread. Demand and supply shocks resulting from these are leading to projections of the worst economic downturn since the 1930s. The world's poorest countries – the clients of the International Development Association (IDA) – are being hit hard by the crisis, given their greater vulnerability and limited resources and capacity. In our interconnected world, vulnerabilities anywhere increasingly lead to vulnerabilities everywhere. Addressing the crisis and maintaining progress towards the Sustainable Development Goals (SDGs) requires strong measures at country, regional, and global levels. Thus, it is incumbent for IDA to step up – in collaboration with partners – to match the bold and ambitious actions taken by governments and others to address the impact of the crisis.

2. **IDA is in a strong position to respond rapidly and flexibly to the evolving needs of IDA countries as they cope with the health, social and economic impacts of the pandemic.** Over the years, IDA has developed a strong toolkit to support IDA countries through crises – from upstream resilience-building to post-crises interventions and recovery. In the health sector, IDA's investments are helping IDA countries address short-term challenges, including disease containment, diagnosis and treatment, while also strengthening health care systems for the medium- and long-term. For broader economic impacts, IDA has a range of tools to reinforce social assistance to households that have lost jobs and livelihoods directly or indirectly due to the pandemic, as well as fiscally-sustainable policy responses that support weathering the crisis in the short-term, and economic recovery in the medium term. The recently completed IDA19 replenishment adds both substantial resources and further strengthens IDA's policy framework, by sharpening the focus on crisis preparedness – including pandemic preparedness – and introducing a mechanism into the Crisis Response Window (CRW) for earlier response to slower-onset crises.

3. **IDA has already made a substantial effort to respond to the health-sector related emergencies through the establishment of the Fast Track COVID-19 Facility (FTCF) that was approved by Executive Directors on March 17, 2020.**¹ The purpose of this paper is to seek IDA's Executive Directors approval for proposed further adjustments to the IDA18 and IDA19 policy frameworks that are needed to enable additional and accelerated support for the economic and social response to the COVID-19 pandemic. These proposals were endorsed by IDA Deputies and Borrower Representatives (Participants) at the Virtual IDA Meeting on April 23, 2020. This is the second proposal related to the COVID-19 response being presented for consideration by Executive Directors in FY20 and depending on further developments, there may be a need for further proposals in the future.

4. **This Paper includes six sections.** Section II provides an update on the World Bank Group (WBG) COVID-19 response in IDA countries. Section III outlines the expected demand from IDA countries related to COVID-19 impacts and IDA's proposed response. Section IV presents the

¹ See “*Proposal for a World Bank COVID-19 Response under the Fast Track COVID-19 Facility*”, March 17, 2020. [IDA/R2020-0087](#).

adjustments to the IDA18 framework which would be necessary to implement this proposed response. Section V looks ahead to consider proposed adjustments to the IDA19 framework, while Section VI summarizes the decisions for approval by the Executive Directors.

II. UPDATE ON WBG COVID-19 RESPONSE

5. **The COVID-19 pandemic presents challenges for developing countries never seen before in terms of scale and speed.**² With more than 2.1 million cases in at least 177 countries as of April 17 2020, the spread of the disease is causing multi-dimensional challenges, including unprecedented pressure on public health systems, the disruption of schooling for over 1.6 billion children and youth, and the disruption of businesses and livelihoods. The growing COVID-19 crisis is likely to have a disproportionate impact on developing countries, not only as a health crisis in the short term, but as a devastating social and economic crisis over the months and years to come.

6. **The WBG has moved quickly to mount a comprehensive and flexible response.** The response builds on the experience with the avian flu outbreak in 2004 and the response to the global financial crisis in 2008 and is structured in two phases. The first US\$14 billion package deployed through the FTCF focuses on the immediate health related consequences of the outbreak over a 12-month period. Of this amount, US\$6 billion comes from International Bank for Reconstruction and Development (IBRD) and IDA and focuses on responding to critical health sector needs. Within this package, US\$1.3 billion has been set-aside from the CRW to support IDA countries, which is augmented by country allocations and Trust Funds. An initial batch of 25 projects amounting to US\$1.9 billion were approved on April 2 under a global emergency Multiphase Programmatic Approach (MPA)³ umbrella operation.⁴ (See Annex 1 for a list of projects approved to date under the facility.)

7. **Given strong demand, the US\$1.3 billion of CRW resources allocated for the COVID-19 health response is expected to be fully utilized.** As of April 16, 2020, 34 projects had been approved for slightly below US\$1.1 billion of which US\$793 million was under CRW, a further 15 projects amounting to US\$284 million of which US\$188 million under CRW are under preparation and the remaining US\$312 million is expected to soon be programmed. The FTCF allocation framework also provides flexibility for IDA countries to utilize up to 50 percent above their FTCF allocation, provided that resources are available within the IDA18 envelope, with the understanding that the country would return any such excess from their respective IDA19 country allocations. (See Table 1 for utilization of the CRW financed portion of the FTCF.)

² See “Update on World Bank Group Response to the COVID-19 Emergency,” *DC2020-0003*, March 31, 2020.

³ See “COVID-19 Strategic Preparedness and Response Program (SPRP) Multiphase Programmatic Approach (MPA)” (R2020-0079, *IDA/R2020-0098*), April 2, 2020.

⁴ Of these projects, 21 projects in IDA countries have been approved amounting to US\$775 million, of which US\$483 million was financed from the CRW.

Table 1. Status of IDA COVID-19 Health Response Implementation as of April 16, 2020

	<i>Amounts in US\$ millions</i>	<i>As % of total</i>
Total CRW COVID-19 Health Response	1,293	
<i>Amounts approved as of April 16, 2020</i>	793	61%
<i>Amounts under preparation</i>	188	15%
Total approved and under preparation	981	76%
Unallocated Balance	312	24%

8. **The second phase of the WBG COVID-19 response is focusing on the economic and social response and will be rolled out from Q4 FY20.** The response includes three pillars of support: (i) protecting the poor and vulnerable; (ii) supporting businesses, particularly small and medium-sized enterprises (SMEs); and (iii) strengthening economic resilience and facilitating speedy recovery.⁵

9. **The recently concluded WBG capital increase and the record IDA19 replenishment sets the WBG up well for a strong response to the economic effects of the COVID-19 outbreak for its client countries.** Current estimates indicate that the WBG can provide financial support in the order of US\$150-160 billion over the next 15 months (Q4 FY20 and FY21), and US\$330-350 billion in the period up to June 2023. The bulk of this capacity is approximately evenly spread across IBRD, IDA and International Finance Corporation (IFC), with smaller amounts from Multilateral Investment Guarantee Agency (MIGA) and Trust Funds contributing the rest. This includes the US\$14 billion FTCTF to assist client countries in their immediate response to COVID-19. Trust funds can play a complementary role and provide immediate support to COVID-19 response in countries that do not have access to IDA or IBRD (countries in arrears, non-credit worthy countries, non-member states). A number of existing Global, Regional and Country trust funds have already started providing support and could immediately scale up with additional donor resources.

III. DEMAND FOR IDA RESOURCES

A. Anticipated Economic and Social Impact of COVID-19 on IDA Countries

10. **The COVID-19 pandemic represents a devastating shock to an already fragile global economic outlook.** Even before the crisis, the IDA19 Replenishment report noted strong headwinds and rising risks for IDA countries.⁶ Preliminary projections of the global economic impacts of the pandemic are dire, with the global economy projected to contract sharply by -3

⁵ See “Update on World Bank Group Response to the COVID-19 Emergency,” [DC2020-0003](#), March 31, 2020.

⁶ See IDA19 Deputies’ Report, page 6, paragraph 13.

percent in 2020, much sharper than during the 2008-09 global financial crisis.⁷ IDA countries that are most vulnerable to the damaging impact of the pandemic are those that have weak health systems, rely heavily on global trade or tourism, depend on commodity exports, and are susceptible to financial market disruptions. Given the demographic profile, the impact on employment and growth will likely be greater in IDA countries. The negative impacts of the pandemic, which in many cases have pushed already poor households into poverty, could slow progress towards the SDGs as well as worsen the social and economic determinants of fragility and conflict.

11. The previously anticipated recovery in IDA countries has been derailed by the COVID-19 pandemic. Governmental measures implemented to help contain domestic outbreaks have weighed heavily on economic activity since February. Such activity has been further damaged in IDA countries by sharply reduced external demand—including a collapse in global trade and tourism—and falling commodity prices, particularly oil and industrial metals. Heightened risk-aversion has spurred unprecedented capital outflows, currency depreciations, steep falls in asset valuations, and sharply higher sovereign borrowing costs. Collapsing global activity has likely also dampened remittance inflows—a key source of foreign funding in several IDA countries. Growth in Sub-Saharan Africa (SSA) has been significantly impacted by the outbreak, leading to forecasts of the first recession in the region in 25 years.⁸

12. Inadequate healthcare infrastructure in IDA countries will exacerbate the impact on lives and livelihoods. Health care systems in IDA countries are generally weak and underfunded, with government per capita spending on health care amounting to about 2 percent of that in advanced economies, on average. In addition, the widespread lack of basic sanitation and large populations with underlying health conditions heighten risks of developing complications in case of infection—even if the latter is partly mitigated by IDA countries’ relatively young populations. The pandemic is therefore likely to take a heavy human toll in IDA countries, with COVID-19 mortality rates in some IDA countries already well above the global norm. IDA countries also generally lack sufficient fiscal space and resources to buttress healthcare systems, underscoring the need for external assistance. Through the FTCTF described above, IDA has provided financing to support IDA countries in their earliest efforts to protect the lives and livelihoods. However, given the scale of the pandemic, further external assistance will clearly be needed.

13. Many IDA countries have large financing needs, and those with high debt burdens are particularly vulnerable to sharp increases in borrowing costs or limited access to financing. Debt pressures in these countries are expected to rise sharply and become a key transmission channel of the crisis across different sectors of the economy. This problem extends beyond IDA and also affects IBRD countries with large numbers of poor people and those highly vulnerable to shocks, including those that are classified as small islands/economies, as well as recent IDA graduates. This paper sets out an approach for optimizing and tailoring IDA resources to support the unique challenges that each country is facing. To maximize impact in this economic response phase, IDA will work closely with the International Monetary Fund (IMF), Multilateral Development Banks (MDBs) and other partners toward timely, effective and coordinated support.

⁷ See “*World Economic Outlook*,” International Monetary Fund, April 15, 2020.

⁸ Growth is forecast to fall sharply from 2.4 percent in 2019 to -2.1 percent to -5.1 percent in 2020 - see “*Africa’s Pulse, No. 21, Spring 2020: An Analysis of Issues Shaping Africa’s Economic Pulse*,” April 9, 2020.

B. IDA's Role in COVID-19 Economic and Social Response

14. **Recent strong replenishments for IDA18 and IDA19 mean that IDA is in a strong position for mounting a robust response to the needs expressed by IDA countries.** Remaining IDA18 resources will be fully utilized by the end of FY20, and Management intends to frontload 42 percent of IDA19 resources in FY21. This would make available up to US\$35 billion for FY21 commitments to support IDA countries in their response to the health and economic impacts of the COVID-19 pandemic.

15. **IDA countries are expressing significant demand for IDA resources to help limit the economic and social impact of the COVID-19 pandemic.** Beyond the immediate needs for health sector support, demand is strong for social assistance programs to households who have lost jobs and livelihoods directly or indirectly due to the pandemic as well as budget support for interventions such as cash transfers and critical government services for the poor and vulnerable. As of early April, nearly US\$25 billion is estimated for crisis response across IDA countries spanning FY20 through the end of FY21. For the rest of FY20, up to US\$2.8 billion in new or additional financing is under preparation for immediate economic and social response.

16. **However, the arrival of this severe and rapidly evolving crisis at the end of an IDA cycle creates timing challenges, with limited resources available for new priority allocations in the final quarter of IDA18.** While significant IDA19 resources will be available as of July 1, 2020, there is a mismatch between the IDA18 resources being sought in this last quarter and the limited amounts still available for allocation. This is particularly true for the many countries which have already utilized all their IDA18 country allocations.⁹ Meanwhile there are significant IDA resources allocated to IDA windows for many important, but less time sensitive, projects slated for Board approval in Q4 FY20. Of the US\$13.9 billion remaining to be committed in IDA18, US\$6.5 billion¹⁰ is allocated to IDA windows.

17. **To respond to this mismatch for the remainder of IDA18, Management is taking strong measures to manage the transition.** First, at the country level, teams are undertaking a careful review of pipeline priorities and portfolio efficiency measures. This involves each Country Management Unit (CMU) reviewing FY20 pipelines, triggering contingent instruments where relevant, and considering portfolio efficiency measures where appropriate.

- a. **Pipeline reprioritization:** IDA countries are reviewing and reprioritizing their FY20 pipeline projects, by postponing less urgent pipeline projects from Q4 FY20 to early July 2020. This is, however, not a viable option for all IDA countries, particularly for those with little or no IDA18 country allocations remaining. (See Table 2.)
- b. **Portfolio restructuring:** Portfolio restructuring and cancellations could also help to release resources. As of end March 2020, IDA undisbursed balances amount to US\$67 billion, 83 percent of these are from projects which had Board approvals four years ago or earlier (i.e., “young” projects). Countries can also trigger Contingency Emergency Response

⁹ For example, over 50 percent of IDA countries had no or less than 5 percent of their country allocations still available for the remainder of IDA18 considering approvals and projects submitted to the Board as of end March.

¹⁰ This excludes the FTCF set-aside. See details in Table 4.

Components (CERCs) embedded in their IDA portfolio to quickly tap into undisbursed balances. As part of the Bank’s COVID-19 emergency response, IDA Management intends to waive the requirement to recommit IDA18 Cancelled IDA Credit/Grant Balances by the end of IDA18 cycle for the first fiscal year of IDA19 IDA replenishment cycle; countries, both IDA-eligible and IDA Graduates, will be able to recommit eligible IDA18 Cancelled IDA Credit/Grant Balances during FY21.

18. **However, these measures are insufficient to support the immediate demand over the rest of IDA18.** Of the current demand for FY20 Q4, there is still a temporary net shortfall of up to US\$2 billion after implementing the above measures. Addressing this demand will be important to enable a timely economic and social response to the COVID-19 epidemic in IDA countries.

Table 2. IDA18 Country Allocation (PBA) Utilization as of March 31, 2020
(in US\$ billions)¹¹

	IDA18 allocations (post reallocations)	IDA18 Utilization	Remaining IDA18 country resources	Cancellations	Total resources available (incl. cancellations)
<i>By Region</i>					
AFR	35.3	31.3	4.0	1.2	5.1
EAP	2.9	1.9	1.0	0.0	1.0
ECA	2.3	2.2	0.1	0.1	0.2
LCR	1.2	0.9	0.3	0.0	0.4
MNA	0.8	0.8	0.0	0.0	0.0
SAR	11.6	10.1	1.4	0.5	1.9
Total	54.2	47.3	6.9	1.8	8.7
<i>Memo items</i>					
<i>FCV</i>	<i>16.5</i>	<i>13.6</i>	<i>3.1</i>	<i>0.2</i>	<i>3.3</i>
<i>Small States</i>	<i>1.7</i>	<i>1.4</i>	<i>0.3</i>	<i>0.0</i>	<i>0.3</i>

19. **Given the above, Management proposes to extend the resource allocation flexibility for the health response under the FTCF to also cover the economic and social response to COVID-19.** As noted in paragraph 7, the allocation framework under the FTCF includes the option for IDA countries to utilize up to 50 percent above their FTCF allocation to address emergency needs before the start of the IDA19 period. Under this allowance, any excess utilization beyond country envelopes will be returned to the facility in IDA19 from respective country envelopes. Given the urgency of the emerging economic impacts of the COVID-19 pandemic, Management recommends that similar resource allocation flexibility be introduced to support priority COVID-19 economic and social responses which urgently need to be delivered before July 1, 2020. Under this flexibility, countries will be able to access up to 50 percent of their average annual IDA18 PBA country allocations as exceptional allocations to provide COVID-19 response, which will be deducted from their respective IDA19 FY21 country allocations in July.

¹¹ Includes Somalia’s arrears clearance (of US\$375 million).

20. **This exceptional additional allocation will be deducted from FY21 country allocations to ensure that the demand is focused on countries that have exhausted other resource options.** The exceptional allocations would provide a mechanism for countries to smooth the transition to IDA19 in cases where all other resource options have been exhausted, while maintaining the integrity of the allocation system.¹²

21. **To finance and implement this approach, Management proposes several adjustments for the IDA18 and IDA19 frameworks, as outlined in the next two sections.** In developing the proposed adjustments below, Management has been guided by the following underlying principles: (i) to provide simple, fast, responsive access to finance for IDA countries, where the timing of the replenishment cycle does not become the constraint; and (ii) to maintain the performance-basis of the agreed IDA18 and IDA19 allocation and resource frameworks.

IV. PROPOSED ADJUSTMENTS TO IDA18 ALLOCATION FRAMEWORK

A. Prior Reallocations Update

22. **Following IDA Participants’ guidance at the 2019 Annual Meetings and subsequent approvals by IDA’s Executive Directors, IDA Management implemented reallocations in early 2020.** The US\$400 million February reallocation was sourced from the Syria set-aside and reallocated to country level allocations (approved by IDA’s Executive Directors on February 28, 2020). Subsequently, to augment the remaining US\$328 million CRW resources for the health COVID-19 pandemic response, US\$865 million was reallocated from the Private Sector Window (PSW) and US\$100 million from the set-aside for Syrian refugees in Lebanon.¹³ Table 3 summarizes all reallocations since the original IDA18 allocation framework.

Table 3. Update on IDA18 Reallocations to date

<i>All amounts in US\$ billions</i>	Original Allocations	Reallocations to date	Allocations as of March 2020
1. Concessional			
IDA Windows	11.1	-0.3	10.9
Crisis Response	3.0	-0.3	2.7
Regional	5.0	0.2	5.2
Refugee	2.0	-0.2	1.8
Arrears Clearance	1.1	0.0	1.1
2. Non-concessional			
Transitional Support	2.8	-1.2	1.6
Scale-Up	6.2	0.5	6.7
3. Private Sector Window			
	2.5	-1.1	1.4

** Totals in table might not add up due to rounding*

¹² This trade-off of additional earlier financing in the last two months of IDA18 in exchange for less financing in the first year of IDA19 would need to be well understood by the client country.

¹³ See “*Proposal for A World Bank COVID-19 Response Under the Fast Track Covid-19 Facility*, March 17, 2020. [IDA/R2020-0087](#). Unallocated CRW balance as of March 10, 2020, after additional CRW allocations to Somalia (of US\$75 million). Since Concessional resources are managed in SDR, amounts in US\$ in balance are subject to the USD/SDR exchange rate at the time of negotiation.

23. **As a result of reallocations away from the PSW for the health COVID-19 response, US\$695 million was available in the PSW as of March 31, 2020.** This amount is fully programmed, and the pipeline includes PSW support for IFC's COVID-19 crisis response through a US\$250 million Trade Finance Facility, as well as a US\$80 million Real Sector Envelope response. (See Box 1 for more details.)

Box 1. Recent PSW Reallocations and Impact of COVID on PSW Pipeline

PSW pipeline has continued to pick up since the last update at the Annual Meetings, although at a moderate pace. As of end-March 2020, 35 active PSW operations have been approved, for a combined amount of US\$740 million. The overall PSW (including both IDA18 & IDA19 projects) downstream pipeline now stands at about US\$1.5 billion (a 26 percent increase from end of Q1 FY20), while mid-stream opportunities remain stable at about US\$1.1 billion. There has been a very limited amounts of project droppage, mostly driven by several mid-sized projects in infrastructure. The median size of PSW projects is US\$15 million (excluding projects in infrastructure), impacting the overall amount of approvals in terms of volume.

Timing for PSW projects in the pipeline are affected by volatility of private sector operations which are less predictable than public sector lending. Furthermore, with the outbreak of the COVID-19 pandemic, the potential impact of the current travel restrictions on IFC/MIGA staff and movement restrictions in several eligible countries has created challenges to deliver several downstream pipeline projects in time for a June Board approval. These factors have led to the need to reallocate resources.

However, the PSW is poised for a strong start in IDA19. Those projects that will not be committed by end of IDA18 will receive PSW allocations under the IDA19 envelope. The strong downstream project pipeline and 'midstream' opportunities (which exceed US\$2.5 billion) are expected to enable a strong start of the IDA19 period.

PSW plays a critical role in IFC's COVID-19 response plan with a focus on the poorest countries. The residual PSW resources are also being re-prioritized to support IFC's COVID-19 response and as well as those projects that can be delivered in FY20.

- **IFC and IDA are currently structuring PSW support to the IFC's Global Trade Finance Platform to help limit COVID-19's adverse economic impact in IDA PSW eligible countries.** This facility will allow for longer repayment time, which should secure jobs and allow staff of affected companies to benefit from employer provided health insurance schemes. This Facility will bring a PSW risk sharing tranche, and possibly a funded tranche, for the poorest countries.
- **IFC is also preparing a US\$2 billion COVID-19 Real Sector Envelope (RSE), a delegated facility, to make loans and equity investments in existing IFC clients in good standing.** An allocation from PSW is being structured (likely in the form of a first loss guarantee) to support IFC deploying the RSE facility in PSW eligible countries. This will be committed before June 2020.

B. Proposed IDA Response to COVID-19: a focus on April-June 2020

24. **To support specific, urgent COVID response proposals, Management proposes further reprioritization of the remaining resources in the IDA18 windows.** Part of the resources allocated to the Regional Window (RW) and Scale-up Window (SUW)¹⁴ but not yet committed would be reallocated to CRW to support urgent COVID-19 pandemic response. As of now, there is scope to reallocate funds for this, through delaying less time sensitive RW and SUW projects into IDA19. SUW commitments as of end-March 2020 are at US\$4.0 billion, or 60 percent of the overall envelope, while the RW reached US\$3.4 billion or 65 percent as of end of March.

25. **Given the above, IDA Management is seeking to flexibly reallocate up to US\$2 billion from the unallocated balance of RW and SUW resources through the remainder of IDA18.** These amounts represent a ceiling, and actual reallocations will be calibrated according to the demand for COVID-19 economic and social response in the next few weeks. Table 4 below shows indicative reallocations ceiling by windows.

26. **In addition, IDA Management is also seeking to reallocate up to US\$100 million of unused IDA window resources to the country envelope over the rest of IDA18.** With pipeline prioritization and delays of some projects till July, there may be some residual resources too small to finance additional projects in the window. Pooling and reallocating these resources can help address unmet country demand and prevent the IDA resources from being unused by the end of the IDA18 cycle. Final allocations will be provided in the annual update on IDA allocations after the completion of IDA18.

Table 4. IDA Windows Implementation Summary (in US\$ billions) as of March 31, 2020

	IDA18 Envelope	Utilization	Available	Utilization (%)	Proposed Reallocations for COVID-19 Phase 2 Response
<i>CRW</i>	2.7	2.4**	0.3	89%	
<i>Regional</i>	5.2	3.4	1.8	66%	up to 0.5
<i>Scale up</i>	6.7	4.0	2.7	60%	up to 1.5
<i>Transition</i>	1.6	0.9	0.7	57%	
<i>Refugee</i>	1.8	1.4	0.4	79%	
<i>PSW</i>	1.4	0.7	0.6	53%	
Total	19.4	12.9	6.5	66%	up to 2.0

* Available resources reflect current FX spot rates

** Including CRW FTCF set-aside of US\$1.3 billion.

27. **The resources made available by the proposals above would be reallocated to the CRW to support the exceptional allocations proposed in Section III above.** Due to the expected widespread economic impact on IDA countries, Management is seeking the approval of IDA's Executive Directors for waivers on the triggers for access to CRW economic response for

¹⁴ For ease of reference, the IDA19 names of the Regional Window and Scale-up Window are used in this paper. These windows were called the Regional Program and Scale-up Facility in IDA18.

operations benefiting from these allocations. As described in paragraph 20, countries that utilize the exceptional allocation in FY20 would then see a corresponding reduction in their FY21 allocations to “replenish” the RW and SUW for the projects that have been deferred. This would result in a larger RW and SUW in IDA19 than agreed under the IDA19 framework allowing those RW and SUW deferred projects to be approved early in FY21. The total volume of RW and SUW resources available over IDA18 and IDA19 will each remain unchanged with the proposed adjustments.

28. Management proposes that these COVID-19 Phase 2 operations adopt country specific IDA terms as applicable, but with quicker adjustments to reflect debt risk deterioration. Typically, Management adjusts the IBRD/IDA financing terms¹⁵ in the following circumstances: (i) on July 1 of each year, to reflect changes arising from the annual assessments; and (ii) at any point in time: (a) to reflect remedies under the Non-Concessional Borrowing Policy (NCBP); (b) to reflect any changes in IBRD or IDA eligibility; and (c) for countries exposed to severe natural disasters leading to significant damage and losses of over a third of their Gross Domestic Product (GDP) in the aftermath of a crisis, based on an updated debt sustainability analysis. However, given the exceptional nature of the COVID-19 and its potential impact on IDA economies, Management proposes that debt risk deterioration due to COVID-19 be immediately reflected in country IDA terms for FY20 and FY21. A quicker adjustment in country terms in the context of the IDA’s grant allocation framework (GAF) will be implemented in the remainder of FY20 and FY21. The impact of adjusting IDA terms more quickly to debt deterioration on IDA’s long-term financial sustainability is expected to be modest.

29. The window reallocation will lead to reallocations both in IDA18 and IDA19, for which approval from IDA’s Executive Directors is sought. Table 6 summarizes: (i) how the adjustments in IDA18 period would trigger subsequent adjustments in IDA19, e.g., deductions from IDA windows in IDA18 and returns from country allocations in IDA19; and (ii) proposed reallocations for the Refugee Window¹⁶ in IDA18 further described below. The amounts in Table 5 are ceilings: should demand for COVID-19 response require less reallocation from the RW and SUW in IDA18, then the corresponding changes triggered in IDA19 would also be lower.

¹⁵ These are set out in Annex 2 of the Directive, [“Financial Terms and Conditions of Bank Financing”](#)

¹⁶ For ease of reference, this paper uses the term Refugee Window, recognizing that the window’s name will change from IDA18 to IDA19 from the Refugee-Sub-Window (RSW) to the Window for Host Communities and Refugees (WHR).

**Table 5. IDA18- IDA19 Adjustments Following the Proposed Adjustments
(at maximum exceptional reallocation levels)**

In US\$ billion	Allocation envelopes (as March 31, 2020)		Proposed Reallocations (at reallocation ceilings)		Allocation envelopes (post reallocations)	
	IDA18 (end of March 2020)	IDA19 (agreed)	COVID Exceptional reallocations	Other Reallocations	IDA18 (revised)	IDA19 (revised)
1. Concessional	65.4	73.8	1.5	-	66.9	72.3
I. IDA COUNTRY ALLOCATIONS	54.6	60.5	-	(0.1)	54.5	58.5
II. IDA CONCESSIONAL WINDOWS	10.8	13.3	1.5	0.1	12.4	13.8
<i>Regional & Public Goods Envelope</i>						
Regional Window	5.2	7.6	(0.5)	-	4.7	8.1
Refugee Window	1.8	2.2		0.1	1.9	2.2
Crisis Response Window	2.7	2.5	2.0		4.7	2.5
Arrears Clearance	1.1	1.0			1.1	1.0
2. Non- Concessional	8.3	5.7	(1.5)	-	6.8	7.2
Scale-up Window	6.7	5.7	(1.5)	-	5.2	7.2
Transitional support	1.6	-			1.6	
3. Private Sector Window	1.4	2.5			1.4	2.5
Total	75	82	-	-	75	82

C. Additional Proposal for Refugees and Host Communities under IDA18

30. **The COVID-19 crisis also has implications for IDA’s support for refugees in IDA18.** Management had indicated in mid-March its intention to reallocate around US\$300 million to the Refugee Window to support Q4 FY20 projects in Uganda and Democratic Republic of the Congo (DRC) that respond to refugee crises in those countries. This would have brought the window back to its original IDA18 allocation and enabled support for a few critical projects that are waiting for reallocations to the window. In this new crisis environment with limited remaining IDA18 resources, US\$300 million is no longer feasible. However, some reallocation is warranted, in recognition of the acute vulnerabilities that refugees face due to the COVID-19 crisis.

31. **Management proposes several measures to facilitate delivery of critical projects over the coming months.** Management proposes to postpone three Uganda Refugee Window projects amounting to US\$209 million to early Q1 FY21, with a waiver on terms to allow the country to still access grants in Q1 FY21 which would otherwise expire at the end of IDA18.¹⁷ Management proposes to still reallocate US\$100 million to the Refugee Window in IDA18 to support an urgently needed social protection project in the DRC. This project responds to both the refugee crisis there and unlocks CRW support for ongoing Ebola response to target the most vulnerable conflict-affected and Ebola-affected groups, while also supporting refugee inclusion into national health and socio-economic responses.¹⁸

¹⁷ Uganda is experiencing a ‘sudden massive inflow’ of refugees, defined under the Refugee Window as an inflow larger than 250,000 refugees within a one-year period, which entitles a country to grants for operations that support refugees and host communities for the remainder of the IDA cycle. This grant eligibility expires on 30 June 2020, so the waiver would enable the three operations to be moved to early Q1 FY21 without changing the terms of the prepared projects.

¹⁸ The parent project, *Projet pour la Stabilisation de l’Est de la RDC pour la Paix* (STEP) has been a key element in building community resilience to curtail the Ebola crisis, which has been taking place amid measles and cholera epidemics, forced displacement and insecurity. This Additional Financing (STEP 2) will include a US\$100 million allocation from the CRW, a US\$220 million allocation from the Refugee Window (for which the window has some but not all funds available), and a country allocation of US\$125 million. The operation will target an additional 1,000 communities, including those affected by the Ebola crisis and which host large numbers of refugees, through community development and social safety nets.

V. PROPOSED ADJUSTMENTS TO IDA19

32. **Given the scale and scope of the COVID-19 crisis, Management has also developed proposals for support to countries facing unique vulnerabilities.** While other adjustments might need to be considered as the consequences of the crisis and the needs of developing countries get clearer, a number of initial adjustments are proposed. As noted, refugees are highly vulnerable to this crisis, given the health, social and economic impacts on populations already facing complex risks. In addition, the economic position of some IBRD-only countries remains particularly vulnerable, such as small states or recent IDA graduates.

A. Adjustment of IDA19 Terms for the Refugee Window

33. **Refugees are ultra-vulnerable to this crisis in terms of health, social and economic impacts.** In this crisis environment, they are also particularly vulnerable to further exclusion and rising protection risks.

- a. *First, Management proposes that the IDA19 Refugee Window should backfill on grant terms any CERCs that are activated within IDA18 Refugee Window operations for immediate COVID-19 responses.* CERCs in Refugee Window operations are already ring-fenced to ensure that any funds that are transferred to CERCs may only be used for the benefits of refugee and host communities, but the grant terms may offer some incentive for governments in refugee-hosting countries to respond rapidly.¹⁹
- b. *Second, Management proposes to set aside up to US\$1 billion within the US\$2.2 billion IDA19 Refugee Window for COVID-19-related operations that benefit refugee and host communities in FY21.* Such operations are likely to focus on the second-order economic and social dimensions of the crisis, including medium-to-longer term economic opportunities for both refugees and host communities. All operations will be required to demonstrate substantial policy content, and this should be articulated in the program document. Support would be instrument-neutral and could take the form of Investment Project Financing (IPF), Program for Results (PforR), or Development Policy Financing (DPF), including DPFs under the Phase 2 Economic Response where the program document outlines clearly the government's reform program and expected results as they relate to refugees and host communities. Finance would be provided on grant terms, including both the 90 percent Refugee Window-financed portion and the 10 percent PBA portion. Other Refugee Window requirements, including regarding the continued adequacy of the protection framework, remain.

¹⁹ In practice, teams would activate the CERC in their existing Refugee Window operation and use their existing resources to support emergency activities for refugee and host communities. Teams would then request additional financing for the equivalent amount on grant terms from the Refugee Window in FY21 (see paragraph 33(b)) using regular Additional Financing IPF procedures.

B. Support for IDA19 Graduates in the Aftermath of COVID-19

34. **The two countries graduating at the end of IDA18 – Moldova and Mongolia – face potential risk of losing creditworthiness if faced with a severe crisis without sufficient support.** The magnitude of this risk may increase in case of further deterioration of the economic situation in these countries after their graduations. Both countries are planning to rely on the WBG financing for responding to COVID-19 crisis. While as of April 17, the number of COVID-19 cases reported in each of them is relatively modest (2,154 in Moldova and 30 in Mongolia), the situation may change quickly. The economic impact of the pandemic and of the measures needed to contain it could be significant and is difficult to predict. In Mongolia, the impact could be amplified by the fall in global commodity prices. Also, the crisis could adversely affect implementation of the macroeconomic stabilization program under way in the country for several years. Moldova's economy depends on workers' remittances and is also likely to undergo an additional external shock as unemployment rates increase in Western Europe.

35. **To assist Moldova and Mongolia in responding to urgent COVID-19 related needs, for the period of FY21, Management proposes to provide them with temporary access to IDA Concessional Credits through the CRW.** This support is proposed to be structured as follows:

- i. *Eligibility Criteria:* COVID-19 is so widespread and expected to significantly affect both countries. Therefore, it is not required to establish eligibility in each case, provided that all CRW-supported operations are approved in FY21 (the first year of IDA19).
- ii. *Allocations:* Moldova and Mongolia will be allocated the same PBA amount that each country received in FY20. Hence, Moldova will have access to US\$63.2 million; and Mongolia will have access to US\$50.7 million.
- iii. *Financing Terms:* Moldova and Mongolia will have access to IDA Concessional Credits from the CRW on IDA Blend terms.
- iv. *Financial implications for IDA:* The combined amount of US\$113.9 million allocated for Moldova and Mongolia represents 6 percent of the CRW resource envelope for severe crises. Since support under this proposal would be for addressing severe crises, it would not affect IDA's ability to implement CRW support for slower-onset crises, introduced under IDA19. IDA's long-term financial sustainability is not expected to be impacted by this proposal.

36. **In addition, some recent IDA graduates who have contributed to IDA replenishments through acceleration of their IDA credits may request a temporary adjustment to their acceleration schedule.** The accelerated repayment clause included in IDA financing agreements and general conditions since 1987 allows IDA to double the principal repayments (i.e., shorten the maturity), or receive interest at a rate that would result in the same net present value, if the borrower's GNI per capita exceeds a specific threshold and the borrower is IBRD creditworthy. The initial implementation for each borrower is subject to approval by the Executive Directors after considering the borrower's economic conditions. The clause also provides borrowers with the ability to request that implementation be modified to revert to original repayment terms (e.g.

terms prior to implementation of the acceleration) should IDA determine that the borrower's economic conditions have deteriorated significantly. There have been 18 borrowers with such accelerations so far, most recent of which are Bolivia, Sri Lanka and Vietnam (whose accelerated repayments were approved by the Board for implementation in IDA19) and Angola, Armenia, Bosnia-Herzegovina, Egypt, Georgia, India, Iraq and the Philippines (whose accelerated repayments were approved for implementation in IDA17).²⁰

37. Given the challenging on-going economic situation, Management will explore such requests, for instance with the possibility of pausing accelerated repayments for a period of one year, in particular for those among these above-mentioned graduates whose balances are significant. Amounts on account of accelerated repayment expected from these borrowers in FY21 are estimated at US\$1.2 billion. While their contribution through accelerated repayment provides financial benefits to IDA, the exercise of a one-year delay for borrowers who may request this would not have significant adverse impacts on IDA's long-term financial sustainability.²¹

38. Some IBRD-only Small States²² face unique and severe challenges in responding to COVID-19 including limited access to markets and IBRD resources. While some of these countries have high per capita incomes, GDP per capita alone does not fully capture these countries' vulnerabilities and unique development challenges, particularly in the context of this unprecedented crisis. Many IBRD-only Small States that are highly dependent on tourism have been hit particularly hard. For example, Antigua and Barbuda's GDP is projected to decline by 6 to 12 percent in 2020, compared to a baseline growth of 3 percent. And in the Pacific, Small Island Economies that are highly dependent on tourism such as Palau are projected to see declines of 15 to 30 percent of GDP. In addition, remittances are decreasing in several Small States, eliminating a source of livelihood. Governments are having difficulty ensuring delivery of basic services – including basic education and health, security, and water and sanitation. Given their vulnerabilities, many Small States have been increasingly relying on cheaper bilateral sources (particularly grants) – but with the pandemic, bilateral flows are likely to be drying-up. Two Small States (Nauru and Equatorial Guinea) are not creditworthy to borrow from IBRD unless there is an adequate security arrangement in place. Furthermore, these countries' access to credit markets is very limited. Of the six countries with credit ratings, only two have investment grade ratings. Given the tight market liquidity, spreads have widened and some countries in the Regional Government Securities Market (for the Eastern Caribbean) could not get reasonable rates nor full subscription.

39. Management is looking into several options to support IBRD-only Small States in the midst of this unprecedented crisis and will come back to IDA's Executive Directors on a proposed approach. As part of this review, Management will consider the appropriateness of providing exceptional access to the CRW in IDA19 in cases funding including from IBRD, trust funds and other financial institutions is either unavailable or insufficient to serve the needs of these

²⁰ There were no new accelerated repayments implemented in IDA18.

²¹ To illustrate, a one-year pause in the above graduates' accelerated repayments would result in an initial higher IDA loan exposure with a modest impact on Deployable Strategic Capital by end of IDA19. This effect would be diminishing over time as these countries revert to the accelerated schedule, leading to limited to no impact on IDA by FY32.

²² There are 12 IBRD-only Small States where a "Small State" is defined as a country with a population less than 1.5 million persons: seven Small Island Economies (Antigua and Barbuda, Mauritius, Nauru, Palau, Seychelles, St. Kitts and Nevis, and Trinidad and Tobago; and five non-island Small States (Belize, Equatorial Guinea, Eswatini, Montenegro, and Suriname).

countries. Such exceptional access would be temporary and would be guided by clear entry and exit criteria. Management will update the Board in the coming weeks on a proposed approach.

VI. DECISIONS FOR APPROVAL BY EXECUTIVE DIRECTORS

40. Following the endorsement of IDA Participants, Executive Directors are asked to approve the following reallocations, authorization requests and policy waivers to support client countries to meet the unprecedented challenges to respond to COVID-19:

- a. a reallocation from the IDA18 Regional Program and Scale-up Facility to the CRW by up to US\$2 billion to support IDA countries' economic and social response to the COVID-19 crisis as needed, over the remainder of the IDA18 period (see paragraph 25);
- b. allow IDA eligible countries to utilize up to 50 percent of their average annual IDA18 PBA country allocations as exceptional reallocations to provide COVID-19 response outlined above (see paragraph 19) over the remainder of the IDA18 period;
- c. for countries with an updated DSA indicating deterioration in debt risks due to COVID-19, the country terms would be immediately adjusted in FY20 and FY21 (see paragraph 28);
- d. a reallocation of up to US\$100 million of unused resources across IDA windows to the country allocation envelope as needed, over the remainder of the IDA18 period (see paragraph 26);
- e. a reallocation of US\$100 million to the Refugee Window (see paragraph 31);
- f. adjustments to the Refugee Window for FY21 to backfill on grant terms any CERCs that are activated within Refugee Window operations for immediate COVID-19 responses, and to set aside up to US\$1 billion in full grants within the Refugee Window for COVID-related operations, along with a waiver from the Refugee Window financial terms (paragraph 33); and
- g. Management also requests the following waivers from IDA's Executive Directors:
 - to waive the CRW economic crisis triggers and allocation methodology for IDA countries to access exceptional reallocations (as defined in paragraph 19) through the CRW in FY20;
 - to allow three Uganda RSW projects to proceed in Q1 FY21 on grant terms;
 - for Mongolia and Moldova;
 - To waive the CRW country eligibility criteria to grant these countries temporary access to the CRW in FY21;

- To waive the terms of CRW financing, and provide CRW resources on IDA Blend terms;
- To waive the CRW economic crisis triggers; and
- To waive the CRW allocation methodology for economic crises (see paragraph 35)

Annex 1. Update on COVID-19 Strategic Preparedness and Response Program (SPRP) Utilizing the Multiphase Programmatic Approach (IDA Countries)

The tables below present IDA financed projects and pipeline under the FTCF as of April 15, 2020.

Table A1.1: Approval of COVID-19 Health Response Operations

Country	Project Name	Approval date	IDA FTCF	IDA Total
			(US\$ million)	
Afghanistan	Afghanistan COVID-19 Emergency Response and Health Systems Preparedness Project	4/2	19	100
Cabo Verde	Cabo Verde COVID-19 Emergency Response Project	4/2	5	5
Cambodia	Cambodia COVID-19 Emergency Response	4/2	20	20
DRC	DRC COVID-19 Strategic Preparedness and Response	4/2	47	47
Djibouti	Djibouti COVID-19 Response	4/2	5	5
Ethiopia	Ethiopia COVID-19 Emergency Response	4/2	83	83
Gambia, The	The Gambia COVID19 Preparedness and Response Project	4/2	5	10
Ghana	Ghana COVID-19 Emergency Preparedness and Response	4/2	35	35
Haiti	Haiti COVID-19 Response	4/2	10	20
Kenya ²³	KENYA COVID-19 EMERGENCY RESPONSE PROJECT	4/2	50	50
Kyrgyz Rep.	Kyrgyz Republic - Emergency COVID-19	4/2	12	12
Maldives	Maldives COVID-19 Emergency Response and Health Systems Preparedness Project	4/2	7	7
Mauritania	COVID-19 Strategic Preparedness and Response Program (SPRP)	4/2	5	5
Mongolia ²⁴	Mongolia COVID-19 Emergency Response and Health System Preparedness Project	4/2	13	13
Pakistan	Pakistan Pandemic Response Effectiveness Project	4/2	100	200
Sao Tome and Principe	STP COVID-19 Emergency Response Project	4/2	3	3
Senegal	COVID-19 Response	4/2	20	20
Sierra Leone	Sierra Leone COVID-19 Emergency Preparedness and Response Project	4/2	8	8
Tajikistan	Tajikistan Emergency COVID-19 Project	4/2	11	11
Yemen	Yemen COVID-19 Response Project	4/2	27	27
Bangladesh	Emergency Pandemic Preparedness and Response	4/3	100	100
Nepal	Nepal: Epidemic Prevention and Control Project (EPCP)	4/3	29	29

²³ Kenya (P173820): On April 14, the project proposed to use additional \$3.2m from the DANIDA Trust Fund

²⁴ Mongolia (P173799): The project proposed to use the full IDA allocation under FTCF (\$13.1m) as well as \$13.8m from IBRD FTCF.

Country	Project Name	Approval date	IDA FTCF	IDA Total
			(US\$ million)	
Lao PDR	COVID-19 Response Project	4/6	18	18
Liberia	Liberia COVID-19 Emergency Response Project	4/7	8	8
Rwanda	Rwanda COVID-19 Emergency Response Project	4/7	14	14
Burundi	Burundi COVID19 Preparedness and Response Project	4/10	5	5
PNG	Papua New Guinea COVID-19 Preparedness and Response	4/10	20	20
Mali	COVID-19 Emergency Response Project	4/13	26	26
Niger	Niger COVID-19 Emergency Response Project	4/13	9	14
Malawi	Malawi COVID-19 Emergency Response and Health Systems Preparedness Project	4/14	7	7
Honduras	Honduras COVID-19 Response	4/15	20	20
Myanmar	Myanmar COVID-19 Emergency Response Project	4/15	50	50
Marshall Islands	RMI COVID-19 Response Project	4/16	3	3
Sri Lanka ²⁵	COVID-19 Emergency Response and Health Systems Preparedness Project	4/2		94
Total			794	1,089

Table A1.2: Pipeline of COVID-19 Health Response Operations

Country	Project Name	Planned Approval Date	Estimated IDA FTCF	Estimated IDA Total
			(US\$ million)	
Project Status - Under Preparation				
Benin	Benin COVID-19 Preparedness and Response Project	4/21	10	10
Bhutan	Bhutan: Epidemic Prevention and Response Project	4/17	5	5
Burkina Faso	Burkina Faso COVID-19 Preparedness and Response Project	4/21	14	14
CAR	Central African Republic COVID-19 Preparedness and Response Program	4/17	5	5
Chad	Chad COVID-19 Strategic Preparedness and Response Project	4/21	16	16
Congo, Republic of	CG COVID-19 Emergency Response Project	4/21	11	11
Cote d'Ivoire	COVID-19 Strategic Preparedness and Response Program (SPRP)	4/21	30	30

²⁵ Sri Lanka (P173867): The project proposed to use IDA Windows (TS, \$93.6) as well as \$35.0 from IBRD FTF.

Country	Project Name	Planned Approval Date	Estimated IDA FTCF	Estimated IDA Total
			(US\$ million)	
Fiji	COVID-19 Emergency Response Project	4/30	6	6
Lesotho	Lesotho COVID19 FTCF Project	4/29	5	5
Moldova	Moldova Emergency COVID-19 Project	4/20	11	57
Samoa	Samoa COVID-19 response project	4/20	3	3
Solomon Islands	Solomon Islands COVID-19 Emergency Response Project	4/30	5	5
Togo	Togo COVID-19 Response Project	4/20	8	8
Uganda	Uganda COVID-19 Emergency Response Project	5/1	13	13
Uzbekistan ²⁶	Uzbekistan Emergency COVID-19 Project	4/24	47	95
Total			188	284

²⁶ Uzbekistan (P173827): The project proposed to use \$46.55m from the IDA FTCF (US\$35 million original allocation of the FTCF to be combined with 32% front-loading from IDA19) and \$48.45m from the IDA FY20 PBA