

**IDA20 Mid-Term Review and Launch of the IDA21 Replenishment Meetings
Chair's Summary
Zanzibar, Tanzania, December 6 to 8, 2023
Virtual meeting, December 20, 2023**

A. Introduction

1. **IDA Deputies and Borrower Representatives (Participants) met on December 6 to 8, 2023 in Zanzibar, Tanzania for the Twentieth Replenishment of International Development Association (IDA20) Mid-Term Review (MTR).** The IDA21 Replenishment was launched on December 8. **Subsequently, Participants met virtually on December 20, 2023 to discuss three additional technical notes¹** that Management committed to present as part of the IDA20 MTR.

2. The World Bank President and the President of Zanzibar opened the meeting, along with the Minister for Finance and Planning of the United Republic of Tanzania, and the Minister of State, Finance and Planning of Zanzibar. A fireside chat with the World Bank President discussed **the critical place that IDA has in ensuring that the fight against poverty remains a priority**, even as the response to global challenges is urgent. The discussion highlighted the need for strong contributions for an ambitious replenishment coupled with continuing work to fully stretch existing concessional resources. This session was made available to the public through live streaming.²

3. The Senior Managing Director of the World Bank chaired the MTR meeting and introduced **Mr. Sheku Sesay**, selected as Independent Co-chair³ of the IDA21 replenishment process. The World Bank Managing Director of Operations, and the World Bank Managing Director and Chief Financial Officer also joined the meetings as lead discussant for the operational and finance discussions.

4. Participants greatly appreciated the warm welcome offered by the Governments of Tanzania and Zanzibar and noted the country's inspiring progress in achieving its development goals. MTR Participants sympathized with the host Government following the tragic loss of life and damages from the flooding and landslides in Tanzania – a recent example of the growing challenges IDA countries face from climate change. Field visits, organized as part of the MTR meeting agenda, allowed Participants to gain a sense of what Zanzibar is achieving with support from IDA.

B. IDA20 Delivery and Results, Partnerships, and PSW Implementation and Utilization Review

5. The Vice President of Development Finance, highlighted how IDA successfully responded to several crises in IDA20 through (i) providing elevated levels of financing, reaching \$39.9 billion in commitments 15 months into its implementation; (ii) utilizing financial innovations such as

¹ Notes on (1) Nature Finance Tracking Methodology; (2) Operational Definition of Crisis Preparedness and Financing Tracking Indicator; and (3) IDA's Contribution to Sexual Orientation and Gender Identity Inclusion

² <https://www.worldbank.org/en/publication/ida20-mid-term-review>

³ <https://www.worldbank.org/en/about/people/m/mr-sheku-sambadeen-sesay>

shorter-maturity loans (SMLs); and (iii) establishing the Crisis Facility, including Crisis Response Window Plus (CRW+). This enabled IDA to reach hundreds of millions of people globally, including those in fragile and conflict situations (FCS), while delivering on the IDA20 policy package.

6. On *Partnerships*, a presentation on how IDA is bringing development actors together through its country-level presence, multi-sectoral expertise, lending capacity, analytical work that serves as a public good, policy dialogue, and knowledge transfers across countries and regions was made, noting that IDA's windows, special allocations, financing instruments and policies provide an added range to IDA's partnership, each designed to target particular development priorities or challenges that the poorest countries face.⁴

7. The Vice President of Operations Policy and Country Services summarized the robust results achieved mid-way into the IDA20 implementation. He highlighted the outcomes across IDA's five Special Themes and four Cross-Cutting issues, backed by data from IDA's Results Measurement System (RMS), results stories, and performance updates on the 41 policy commitments. This was driven by record-level disbursements – which increased faster than commitments, including in FCS countries. For the majority of Tier 2 RMS indicators, IDA has achieved strong progress toward expected values. Indicators on operational and organizational effectiveness also showed strong results based on IEG ratings, with nearly 90% of IDA-financed operations receiving satisfactory performance, and 87.5% of IDA-operations achieving satisfactory outcomes as a share of commitments. To continue strengthening its processes to manage outcomes, Management launched the '*SimplifIDA*' initiative to explore ways to simplify IDA's architecture, while maintaining its effectiveness and relevance, and aligning it further with the Evolution reform. As a starting point, seven of the 12 operational and financial MTR recommendations⁵ are simplification measures, in line with SimplifIDA.

8. The Vice President for Economics and Private Sector Development of the International Finance Corporation (IFC), and the Vice President and Chief Risk, Legal and Sustainability Officer of Multilateral Investment and Guarantee Agency (MIGA), presented lessons from the Private Sector Window (PSW) Implementation and Utilization review. They summarized how PSW is catalyzing private sector development in 47 countries, including in new markets such as Yemen, Samoa, South Sudan, Somalia, Solomon Islands, Burkina Faso and Liberia. They noted that this was affirmed by the Independent Evaluation Group's assessment of PSW.

9. **Participants welcomed the report of IDA20's results and implementation progress, noting record commitments and disbursements**, indicative of good absorption capacity in IDA countries, and acknowledged strong demand for IDA resources, while a few raised concerns on the implementation of the JET policy commitment 2. **General strong support was expressed for the overall direction of the SimplifIDA initiative**, while underscoring the need for a combination of policy commitments, incentives, and a solid results measurement system in building a compelling case for an ambitious IDA21 replenishment. Some Participants welcomed ideas to improve the effectiveness of IDA's operational and financing architecture that balances donor and beneficiary interests.

⁴ See paper: IDA20 MTR Review – Partnerships: IDA Works Cooperation with a Broad and Diverse Range of Partners. See video: *Partners in Development – World Bank's IDA & Organizations Around the World*

⁵ See Table 4.1 of IDA20 MTR: Implementation Update and Issues for Discussion (“Omnibus Paper”)

10. **Participants welcomed the Partnership MTR paper**, showcasing the richness of IDA's productive partnerships. They welcomed more co-financing efforts, urged progress on Multilateral Development Banks (MDBs) working as a system, and encouraged Management to apply lessons learned to continue to strengthen partnerships in IDA21. They also expressed support for enhanced engagement with CSOs and strengthened citizen engagement in targeted areas. Some Participants urged Management to leverage partnerships in challenging FCV settings in a manner that will deliver greater impact and outcomes and underlined the need to specify concrete deliverables.

11. Participants acknowledged **progress in implementation of the IDA PSW**, and appreciated the validation on the experience to date provided by the Focused Assessment from the Independent Evaluation Group.

- a. Participants noted that PSW should remain focused on development impact and supporting high-impact long-term investments and, for IFC, including domestic market creation, and that MIGA trade finance activities should be judicious and balanced against potential tradeoffs.
- b. For the PSW Local Currency Facility (LCF), some Participants recommended to prioritize projects that directly contribute to the development of capital markets and requested that a target be set that at least 50% of all LCF-supported projects directly contribute to the development of capital markets, as well as more work on non-financial capacity building and policy reforms that foster local capital markets.
- c. Some Participants asked for increased efforts from IFC to pursue suitable investments for more market creation in small states and in those countries that have not yet benefited from any PSW support to date.
- d. Some Participants requested that the full potential of PSW be realized through both the mobilization of additional private capital as well through technical expertise, capacity building, and fostering sustainable practices that foster and reinforce local markets.

12. Participants discussed and agreed with Management Recommendations for operational adjustments outlined in Annex 1 as well as the PSW related recommendations, with the following comments and considerations:

- a. The **administration of CRW+ funds**. Management outlined the rationale for streamlining both the per country cap on ERF resources and the criteria for determining eligibility of severe economic crises.
- b. Revision of **Human Capital Policy Commitment 1**. While acknowledging that expecting this commitment from all 75 IDA countries is no longer realistic post-pandemic, some Participants requested an explanation on the rationale for the newly set target of 20. Some Participants urged that universal health care and pandemic prevention, preparedness and response should continue to be reflected in the wording of the revised policy commitment. Management affirmed the ongoing commitment to supporting health emergency preparedness and addressed questions about the change in the number of targeted countries. Under the revised PC, IDA will *“Support at least 20 IDA countries to strengthen inclusive*

health security by building countries' capacity to prevent, detect and respond to the threat posed by health emergencies."

- c. Clarification of **Gender and Development Policy Commitment 7**. Management affirmed that the clarification aligns with continued efforts to combat Gender-Based Violence (GBV) in both education and health sectors. Under the clarified PC, IDA will *"Support at least 10 IDA countries to strengthen national policy frameworks for prevention and response to GBV, and in at least 15 IDA countries, of which five are FCS, support GBV related services in health systems, and/or implement GBV prevention and response protocols as part of safe and inclusive educational institutions."*
- d. Most participants were supportive of the recommendation to **allow cancellation and recommitment of shorter maturity loans** beyond IDA20 but doing so prudently through assessing its potential impact to IDA's Deployable Strategic Capital (DSC).
- e. Participants **supported the proposal to determine eligibility for Scale-up Window (SUW) Shorter-Maturity Loans (SML) resources based on the country's risk of debt distress only**. Some Participants encouraged caution and recommended that Management continues to assess SUW-SMLs development impact.
- f. Partners **supported the two proposals for simplifying implementation of the Sustainable Development Finance Policy** while requesting additional information on sustainability of reforms, impact of the policy, and actions to enhance both sustainability and impact, which Management will provide in the SDPF Update in April 2024; and
- g. Most Participants supported proposals to **extend PSW coverage to MIGA liquidity support product, the MIGA Trade Finance Facility and to extend coverage to third-party co-lenders participating in an IFC-led transaction**, eliminating the need to obtain a Policy waiver. Several Participants urged a cautious approach not to lose focus on longer-term development impact and financing, as well as the real sector. For example, in this regard some Participants questioned the expansion of PSW to MIGA trade finance and liquidity support. With regards to the proposal to modify the PSW Policy to simplify the process of extending Blended Finance Facility and LCF to third parties, some Participants requested clarifications regarding "third parties", which are co-investors or co-lenders with IFC still leading the process and the due diligence.

C. IDA Access, Terms and Graduation Prospects

13. The Director of IDA Mobilization and IBRD Corporate Finance presented an overview and key elements of IDA's Graduation Policy, and a review of graduation prospects for IDA-eligible countries. The presentation set forth Management's proposal for (i) a framework to guide reverse graduation and reclassification decisions; and a proposal to (ii) extend the Small Island Economies Exception (SIEE) to qualifying non-Island Small states, translating to a broader Small States Exception (SSE).⁶

⁶ See IDA20 Adjustments Paper (forthcoming)

14. Recognizing significant headwinds faced by IDA countries, Participants supported Management's recommendation **not to graduate** any country at the end of IDA20. Participants supported the recommendation to assess Guyana's readiness to **graduate** at the end of IDA21.

15. Participants expressed general support for the **proposed reverse graduation and reclassification framework**, noting the importance of a rules-based approach to guide decisions. They highlighted the need to balance consistency with flexibility when applying the framework. Several Participants noted the importance of the crisis toolkit as a means to support countries in more short-term crises and urged Management to explore options for providing countries with temporary access to IDA to enable quick recovery in the event of a shock. Some Participants asked whether further reflection is needed considering that IDA's operational cut-off has not kept pace with global GNI per capita and the fact that 60% of IDA countries are above the current operational cut-off.

16. Participants appreciated and expressed support for the proposal **to extend the Small Island Economies Exception or SIEE to qualifying non-island Small States, translating to a broader Small States Exception (SSE)**. Participants strongly emphasized the need to align this work with concessionality discussion that is ongoing as part of the Evolution process. Some Participants urged Management to conduct a comprehensive analysis on IDA's support to vulnerable countries, including pricing, volume and knowledge, and emphasized the importance of steady and sustainable development with the goal of graduating these countries from their exceptionally preferable status. Based on the proposed criteria, Belize, Suriname and Eswatini are the only IBRD non-island small states that are likely to qualify for reclassification to IDA, pending analysis of all eligibility criteria. Some Participants encouraged Management to consider this recommendation, including recalibrating financing terms, in the context of the larger discussion on how IBRD could better serve such countries.

17. Management took note of some Participants' concerns regarding the proposal to tighten financing terms for Small Islands/Small States with GNI per capita above GDI without factoring in any longer client debt considerations even though SIEs are at high risk of debt distress due to climate vulnerabilities. Management indicated that the discussion would continue during the IDA21 replenishment process, leaving their terms unchanged for the time being, and to consult with the countries that would face a change in terms.

18. Some Participants raised concerns that, in line with the current concessionality framework, financing terms are being hardened for certain countries that face significant challenges. Some Participants argued that countries affected by extreme fragility may not be able to incur debt and sought an urgent solution to this issue. **In response, Management proposed to avoid tightening terms for countries during FY24 and FY25 until a discussion on IDA's grant allocation framework can take place early on in IDA21 discussions.** This will follow the necessary governance steps including Board approval. Management anticipates that this measure would mean not proceeding with a planned change in terms for Haiti and Somalia.

19. On the topic of vulnerability more generally, Management emphasized that **vulnerability considerations in the allocation of concessionality will be an important topic of discussion during the Evolution discussions and the IDA21 replenishment.**

20. In summary, Participants agreed with Management's recommendation to:
- a. Adopt the structured but flexible approach proposed for analyzing requests for reverse graduation and reclassification.
 - b. Extend the Small Island Economies Exception (SIEE) to qualifying non-island Small States, i.e., a broader SSE.
21. The proposal for recalibrating financing terms for Small Islands and Small States under the Exception will benefit from further discussions during the IDA21 replenishment process.
22. Until the grant allocation framework has been discussed as part of IDA21 discussions, Participants agreed not to harden financing terms for any countries during FY24 and FY25 in good standing with the Sustainable Development Finance Policy (SDFP).⁷

D. IDA's Short and Medium-term Financial Outlook

23. Management discussed IDA's financial outlook over the short- and medium-term horizon, specifically, measures to ensure that IDA has sufficient capacity to support its clients. The Managing Director and Chief Financial Officer recapped the discussions over the last few months to discuss options to close the IDA20 financing gap (resulting from frontloading and a strengthening USD against the SDR) and additional measures for consideration in the medium term, for IDA21 and beyond. Participants called for more clarity on the potential impact on the DSC of all future proposals made by management.

i. IDA's Crisis Facility

24. The Vice President of Development Finance provided an update on the pledges to the IDA Crisis Facility which was established to (i) to provide additional resources to IDA countries affected by Russia's invasion of Ukraine at a time of compounding, overlapping global crises; and (ii) to provide a mechanism for pooling and leveraging contributions to support Ukraine and neighboring Moldova.

25. Management thanked Participants for the pledges provided to the Crisis Facility. The potential programming size of the Crisis Facility at the conclusion of the meeting was \$2.3 billion of which \$1.3 billion was for CRW+ and \$1 billion was for SPUR. Participants welcomed the Crisis Facility contributions, as well as the new pledges by Iceland, Ireland and Korea.⁸ It was noted that additional pledges can still be accepted through early 2024 and be added to the programming size of the Crisis Facility.

⁷ This would, *inter alia*, exclude countries with repeated breaches of the SDFP Policy.

⁸ The following donors announced support to the Crisis Facility ahead of the MTR: Austria, Denmark, Estonia, Finland, Latvia, Lithuania, Netherlands, Norway, Poland, Sweden, Switzerland.

ii. Capital Adequacy Framework (CAF) Review and Options to fill IDA20 Financing Gap

26. The Vice President and World Bank Group Credit Risk Officer provided an update on the review of IDA's capital adequacy framework (CAF) enhancements that will be leveraged to approximately \$4 billion of additional financing capacity per replenishment between IDA20 and IDA23. The Senior Adviser to the Director of IDA Mobilization and Corporate Finance presented measures to mitigate the effect of frontloading in earlier years and maintain \$30 billion lending in FY25 and other options that could be further explored for IDA21 and beyond. He also presented an update on IDA's local currency financing pilot, reference period for FX and discount rates to be used in IDA21, inflation threshold in choosing IDA21 contribution currency, and a review of the current FX management framework and challenges associated with managing IDA's balance sheet in SDR.

27. Participants welcomed the IDA CAF enhancements, encouraging to always explore Balance Sheet Optimization (BSO) measures first. They expressed the need to also balance capital efficiency with safeguarding IDA's financial sustainability.

28. Participants appreciated the need to continue IDA20's increased financing level of \$30 billion for FY24 and FY25 so that operational teams and clients have predictability on the available financing envelope to provide support for the many overlapping crises IDA countries are experiencing. Many Participants noted that this is particularly important in the context of the ongoing Evolution discussions, where a very strong signal of solidarity with Low Income Countries is necessary. Some participants asked management to explore potential surge financing mechanisms within IDA current financial structure.

29. Participants supported the package of measures proposed by Management to support \$30 billion financing capacity in FY25: portfolio clean-up, additional long-dated fixed rate bonds, CRW+ and the use of \$3 billion of the capital release, representing one quarter of the total capital release from the enhancements identified in the CAF review. Participants requested an analysis on the tradeoffs of timing of the use of the capital release on IDA's DSC; and noted that Management should stress the risk of having financing gaps in outer years due to frontloading in future replenishments and suggested that IDA's financial capacity should be further strengthened, including consideration of having additional buffer for surge financing.

30. Participants requested additional information and specifically requested a comprehensive paper which will cover all aspects of the IDA financial model and possible measures, including potential trade-offs between the short, medium and long-term impacts on the DSC. Management committed to prepare for IDA Participants a comprehensive paper early in 2024 on impacts of the enhancements in IDA's capital adequacy framework on IDA's DSC, the utilization of released capital and associated tradeoffs. Management noted that these are highly technical matters and IDA's Finance team stands ready to meet with Participants at any time.

31. Participants expressed strong interest in the options to enhance IDA's financing capacity for the medium-term horizon. Management acknowledged the requests from some Participants for IDA to further leverage its balance sheet by exploring all available BSO options to enhance IDA's financing capacity in a financially sustainable manner. Some Participants particularly requested to

be provided with options for additional BSO contributions for IDA as soon as possible. On options related to adjusting financing terms, Participants urged caution and further considerations of the impact on debt sustainability of IDA countries, while noting that the additional concessional volumes enabled by these measures could support scaling up investments in IDA countries. Updates on this work will be provided through IDA21 replenishment discussions. A few participants urged consideration of a one-off additional transfer from IBRD to IDA to fill IDA's financing gap, while many other Participants cautioned against this due to the implications for IBRD's lending capacity. Management responded that this would negatively affect IBRD's own capacity at a time when World Bank Group (WBG) Evolution requires a significantly increased IBRD capacity to tackle global challenges, and that the transfer issue is a complex one that needs to be discussed by IBRD's Board. Some participants also advised to hold on exploring callable capital for IDA until the discussions for IBRD have advanced. Management will review the previously done analysis on merging the balance sheets of IBRD and IDA.

iii. Other Issues Related to IDA Finances

32. On the review of IDA's FX framework, Participants expressed broad support for Management to continue exploring alternatives to address the challenges associated with IDA using SDR. Updates on this work and further analysis will be provided during IDA21 discussions well before the final replenishment meeting in December 2024.

33. On IDA local currency financing, Participants requested management to continue working on options to expand IDA's local currency financing to its client countries, while some highlighted the importance of capacity building in creating enabling environment for local FX markets to develop.

34. Participants agreed on the proposed averaging period to calculate reference exchange rates and discount rates for IDA21 replenishment discussions. They also agreed to use an average annual inflation rate threshold of 10 percent over the three-year period of 2020-2022 calendar years to determine partner countries with high domestic inflation rates for the purpose of defining the group of countries required to contribute in USD or any other major currency.

E. Launch of IDA21 Replenishment Discussions

35. The World Bank Senior Managing Director and IDA21 Replenishment Management co-chair kicked-off the IDA21 discussions and invited the IDA21 Independent Co-chair to address the Participants. He expressed his gratitude for his selection and appreciation to the Bank's management and his colleagues for the warm welcome and support he has received since his selection and look forward to contributing to the vision and mission of IDA. He also emphasized the potential of IDA as a vehicle for achieving change and development, as well as its capacity as a platform of cooperation, well placed to strike the requisite balance of pragmatism, accepting challenges, and adapting to the realities of a changing world. Participants wished him success in this new role. The Vice President for Development Finance presented some preliminary thoughts on IDA21 Strategic Directions.

36. Participants acknowledged that the IDA21 replenishment period is starting at a critical and challenging time for many IDA countries and the need to aim for an ambitious IDA21, while being cognizant of fiscal constraints faced by Donors.

37. Participants acknowledged the need to reflect the Evolution priorities in discussing the overarching themes and IDA's policy framework. Participants appreciated the option of IDA aligning with the new Mission and Vision, the Global Challenges, and the new Scorecard, while underscoring the importance of preserving its specific nature and context, as well as capturing past and enduring themes into IDA21. This would mean that IDA may require additional focus in some areas such as jobs and economic transformation, debt, including domestic resource and private capital mobilization, health, pandemic preparedness, governance, gender, FCV, and resilience. Other topics mentioned by Participants include energy transition, digitalization, and supply chain management. Some Participants also underlined the need for a separate reflection on strengthening operations efficiency and effectiveness as part of the IDA discussion.

38. Participants expressed general support for IDA simplification in principle. Most Participants recognized the need to enhance the outcome orientation of IDA's operational architecture, while also taking a judicious approach to the streamlining of policy commitments, and maintaining adequate ex-ante incentives, monitoring, and reporting. A more detailed discussion is needed on connecting IDA's result measurement framework to the Corporate Scorecard outcomes, and how to achieve simpler criteria for allocation and a smaller, but more impactful number of policy commitments, while, at the same time, ensuring Deputies' ability to deliver a policy package and mobilize an ambitious level of contributions.

39. On key issues expected for IDA21 discussions, Participants confirmed the centrality of the issues listed below to IDA21 replenishment discussions, in addition to other points made which were also well noted. Some Participants asked for a stronger integration of approaches to reduce inequalities into existing special and cross-cutting themes of IDA.

- a. enhancing IDA's medium-to-long term financial sustainability;
- b. delivering in FCS contexts;
- c. addressing climate change, in particular adaptation, nature depletion, biodiversity loss, and other global challenges;
- d. boosting crisis preparedness, including pandemic prevention and preparedness;
- e. addressing vulnerability in IDA's policy and financing framework;
- f. strengthening financial fundamentals in IDA countries through effective debt and public finance management, domestic resource mobilization, private capital mobilization, and local currency financing.

F. Tracking IDA's investment in Nature and Crisis Preparedness, and contribution to Sexual Orientation and Gender Identity Inclusion agenda

40. In a subsequent virtual meeting held on December 20, 2023, Management presented the Bank's work on (i) developing a methodology to track Nature Finance; (ii) formulating an operational definition and financing indicator for Crisis Preparedness; and (iii) defining and developing IDA's contribution to the Sexual Orientation and Gender Identity Inclusion.

41. Participants acknowledged the promising work on the *technical methodology for identifying and tracking finance supporting nature*, noted it as a starting point for further development in the context of IDA21, and looked forward to an opportunity to provide further guidance on the next steps required for its operationalization. They stressed the importance of strong collaboration among MDBs and other partners such as the Organisation for Economic Co-operation and Development (OECD), with the view to consolidate approaches for tracking nature finance, as well as alignment with the Global Biodiversity Framework.

42. Participants agreed with the *operational definition of Crisis Preparedness* developed by Management and used to track progress on the standalone Policy Commitment. They acknowledged that using the Crisis Preparedness definition to aggregate financing data poses conceptual and data-infrastructure challenges, as the pilot coding exercise demonstrated. They noted that the Corporate Scorecard includes relevant outcome-oriented indicators but reiterated the potential value in terms of transparency, accountability, and effectiveness of also tracking inputs related to crisis preparedness. Participants called for a strong focus on Crisis Preparedness in IDA21.

43. On *IDA's contribution to Sexual Orientation and Gender Identity (SOGI) Inclusion*, Participants endorsed the proposed approach to scale up IDA's country-led engagement model and asked for increased ambition on the reach of IDA's engagement with client countries. Some participants suggested the development of an indicator. Some called for a reference to gender-based violence and the inclusion of sexual and reproductive health and rights as a fundamental human right. Many Participants have also supported the Bank's approach to SOGI inclusion through the implementation of the 2018 Environment and Social Framework and encouraged Management to implement the ESF across all its units along the One Bank approach. Some Participants emphasized the importance of respecting every member's sovereignty, values, and regulations.

44. On all topics, Participants reinforced the need for the Bank to strengthen *partnerships* and collaboration with development partners. They also confirmed their support for *stronger outcome orientation* via the Corporate Scorecard, but some stressed that outcome-oriented indicators should be balanced with input-based measures where useful, and wondered how the related incentives would be maintained. Participants also recognized the risk of over-constraining country engagements through multiple, overlapping input and output commitments and the need to ensure selectivity and focus.

G. Next Steps

45. Participants appreciated the papers that Management had presented as part of the IDA20 MTR but underlined the need to receive background documents well in advance of the meetings. Management thanked Participants for their support and for their guidance and confirms all papers committed for the IDA20 MTR have been delivered. Feedback received will be incorporated as the work on these important elements of IDA's policy agenda and its operational implications are further fleshed out and inform the formulation of the IDA21 policy framework.

46. Management updated the IDA Board of Executive Directors on the outcome of MTR on December 18, 2023, and will seek approvals as needed (see Annex 1).

47. On IDA21 Strategic Discussions, Management will use these early discussions to develop a note presenting options to be discussed in a virtual meeting in March 2024.

Annex 1. IDA20 Mid-Term Review Proposals for Recommendation and Issues for Discussion

A. Operational Recommendations

Simplification Measure

Proposal/ Issues for Discussion	Reference Paper	MTR Meeting Outcome
<input checked="" type="checkbox"/> Administration of new CRW+ resources. (i) If CRW+ pledges reach \$500 million or less, use funds for both Last Resort and Early Response Financing, as needed. Allow larger countries to exceed the \$50 million per country cap on ERF resources if needed. (ii) If CRW+ pledges exceed \$500, in addition to the above, simplify criteria for accessing CRW Last Resort funds to respond to economic crises.	Omnibus Paper, (See paragraph 42)	Agreed for Board Approval. See International Development Association: Crisis Facility ⁹
Adjust Human Capital PCI to reflect changed context. Under the revised PC, IDA will “Support at least 20 IDA countries to strengthen inclusive health security by building countries’ capacity to prevent, detect and respond to the threat posed by health emergencies.”	Omnibus Paper, (See paragraph 74)	Agreed for Board Approval. Change in the IDA20 Deputies Report ¹⁰
Clarify Gender and Development PC7 to reflect national level policy processes. Under the clarified PC, IIDA will “Support at least 10 IDA countries to strengthen national policy frameworks for prevention and response to GBV, and in at least 15 IDA countries, of which five are FCS, support GBV related services in health systems, and/or implement GBV prevention and response protocols as part of safe and inclusive educational institutions.”	Omnibus Paper, (See paragraph 89a)	Agreed for Board Approval. Change in the IDA20 Deputies Report ¹⁰
<input checked="" type="checkbox"/> SML: Allow the recommitment of SMLs beyond IDA20 to align with existing World Bank policies and practices that permit the recommitment of IDA resources of other windows.	Omnibus Paper (See paragraph 64a) and SML paper (paragraph 31)	Agreed for Board Approval. Change in the IDA20 Deputies Report ¹⁰
<input checked="" type="checkbox"/> SML: Determine eligibility for SUW-SML resources based on the country’s risk of debt distress, without additional eligibility criteria at the project level.	Omnibus Paper (paragraph 64b) and SML paper (paragraph 30)	Agreed for Board Approval. Change in the IDA20 Deputies Report ¹⁰ and Updated Alignment of the Scale-Up Window: Shorter Maturity Loans (SUW-SMLs)

⁹ World Bank. *International Development Association: Crisis Facility (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099050323190032975/BOSIB0a919239500a0be5404b8b274827b8>

¹⁰ IDA20 - *Building Back Better from the Crisis : Toward a Green, Resilient and Inclusive Future (English)*. IDA20 Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/163861645554924417/IDA20-Building-Back-Better-from-the-Crisis-Toward-a-Green-Resilient-and-Inclusive-Future>

Proposal/ Issues for Discussion	Reference Paper	MTR Meeting Outcome
		with the WBG Global Crises Response Framework (GCRF) ¹¹
<input checked="" type="checkbox"/> SDFP: Simplify SDFP implementation by allowing the SDFP Committee to allow early release of set-asides, frontloading, reallocations, and access to SUW-SMLs for countries that implement previously unmet PPAs in the following fiscal year.	Omnibus Paper (<i>See paragraph 109</i>)	Agreed for Board Approval. Change to the SDFP Policy ¹² and IDA20 Deputies Report ¹⁰
<input checked="" type="checkbox"/> SDFP: Empower the SDFP Committee to take final decisions on PPA approval and Implementation Assessment Notes, with discretion to elevate to Vice President and/or Managing Director of Operations review on an as-needed basis.	Omnibus Paper (<i>See paragraph 112</i>)	Agreed for Board Approval. Change to the SDFP Policy. ¹²
<input checked="" type="checkbox"/> PSW: Modify the PSW Policy to extend the PSW Blended Finance Facility and Local Currency Facility to third parties in IDA20, alongside IFC in IFC-led transactions, without a need for a waiver from the IDA Executive Directors to the PSW Policy.	Omnibus Paper (<i>See paragraph 51a) and PSW paper (page 30)</i>)	Agreed for Board Approval. See: - IFC/MIGA/ IDA Policy SEC7.12-POL.130 issued November 05, 2020. IDA-IFC-MIGA Private Sector Window; - Operationalizing the IDA18 IFC-MIGA Private Sector Window (English). Washington, D.C.: World Bank Group; and - IDA20 Deputies Report ¹⁰
PSW: Expand the PSW MIGA Guarantee Facility to trade financing solutions starting in IDA20, to respond to heightened needs for this product.	Omnibus Paper (<i>See paragraph 51b) and PSW paper (page 32.)</i>)	
PSW: Expand the PSW MIGA Guarantee Facility to liquidity-support guarantees starting in IDA20, which can help further scale up investments in renewable energy and infrastructure.	Omnibus Paper (<i>See paragraph 51c) and PSW paper (page 33.)</i>)	
Graduation: Adopt a structured, but flexible approach to guide decisions on reverse graduations and reclassifications to IDA.	Graduation paper, <i>pages 14-21</i>	Agreed for Board Approval.
Graduation: Broaden the scope of the Small Island Economies Exception to eligible IDA and IBRD non-island Small States.	Graduation paper, <i>pages 22-27</i>	Agreed for Board Approval.

¹¹ World Bank. *Updated Alignment of the Scale-Up Window : Shorter Maturity Loans (SUW-SMLs) with the WBG Global Crises Response Framework (GCRF) (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/0993335011042236294/BOSIB08cb362650b60a0eb0f982a5760e5e>

¹² *Sustainable Development Finance Policy of the International Development Association (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/967661593111569878/Sustainable-Development-Finance-Policy-of-the-International-Development-Association>

Proposal/ Issues for Discussion	Reference Paper	MTR Meeting Outcome
		See Board paper “Terms of Lending to Small Island Economies Graduating from IDA, IDA/R85-134, dated November 18, 1985.
<input checked="" type="checkbox"/> Graduation: Recalibrate the criteria on which IDA concessional resources are provided to countries under the broadened Small Island Economies Exception.	See Graduation paper, <i>pages 27-32.</i>	Deferred for discussion in IDA21.
Apply a moratorium on hardening of financing terms in FY24 and FY25 for IDA countries in good standing with the SDFP until a revision of IDA’s grant allocation framework can take place early in IDA21 replenishment discussions.	N/A	The proposal was agreed by the Participants for Board Approval.

B. Financial Recommendations

Proposal/ Issues for Discussion	Background Paper/ Reference	MTR Meeting Outcome
Reprogram at least \$2 billion of undisbursed balance to support new commitments in FY24 and FY25.	Options to close IDA20 Financing Gap, Para 2	Supported by the Deputies.
Issue \$5 billion additional fixed rate bonds in IDA20 subject to market conditions, on top of the original \$15 billion funding plan, to create another \$0.5 billion financing capacity.	Options to close IDA20 Financing Gap, Para 3	Supported by the Deputies.
Additional donor contributions for CRW+.	Options to close IDA20 Financing Gap, Para 4	Supported by the Deputies.
Capital release from CAF review’s proposed recommendations.	Options to close IDA20 Financing Gap, Para 5 Enhancing IDA’s CAF Slide 8	Supported by the Deputies, subject to Board Approval of CAF review recommendations.
Review IDA’s FX Framework	IDA’s FX Framework PPT	Supported by the Deputies. Further analysis will be provided through IDA21 discussion.
IDA21 Reference FX Period and Discount Rate: Six-month averaging period, from March 1, 2024 through August 31, 2024 be adopted for setting the IDA21 reference exchange rates, the discount rates in IDA21 donor contribution encashment framework, and the discount rates in IDA21 CPL framework.	IDA21 Reference FX Period and Discount Rate.	Agreed by Deputies. To be approved as part of the IDA21 Deputies Report

Proposal/ Issues for Discussion	Background Paper/ Reference	MTR Meeting Outcome
An average annual inflation rate threshold of 10 percent over the three-year period of 2020-2022 calendar years be used to determine partner countries with high domestic inflation rates for the purpose of defining the group of countries required to contribute in USD or any other major currency.		

Annex 2. Background Documents Prepared for the IDA20 Mid-Term Review

1. Sustainable Development Finance Policy of the International Development Association: Mid-Term Implementation Review, April 7, 2023[±]
2. Note on IDA’s Contribution to Sexual Orientation and Gender Identity Inclusion, November 15, 2023
3. Note on Nature Finance Tracking Methodology, November 16, 2023
4. Note on Operational Definition of Crisis Preparedness and Financing Tracking Indicator, November 16, 2023
5. Private Sector Window Utilization and Implementation. November 15, 2023
6. Shorter-Maturity Loans Implementation and Utilization, November 22, 2023
7. IDA Access, Terms and Graduation Prospects, November 22, 2023*
8. Partnerships: IDA Works in Cooperation with a Broad and Diverse Range of Partners, November 22, 2023
9. IDA20 MTR Implementation Update and Issues for Discussion (“Omnibus Paper”),¹³ November 28, 2023
10. Options to close IDA20 Financing Gap, November 22, 2023*
11. PPT: Review of IDA’s FX framework, November 22, 2023*
12. PPT: Enhancing IDA’s Capital Adequacy Framework, November 28, 2023*
13. PPT: Early thinking on IDA21 Strategic Directions, November 28, 2023*
14. IDA21 Reference Period for Foreign Exchange and Discount Rates for the IDA21 Replenishment, November 22, 2023*

[±] *Delivered in advance of the MTR and discussed with Participants during the IDA Meeting on April 17 – 18, 2023 in Washington, DC.*

** These papers/ presentations will not be publicly disclosed as per the World Bank’s Access to Information Policy which excludes disclosure of papers that contain sensitive financial information, as well as those documents which are deliberative in nature.*

IEG Evaluations

1. Assessment of the International Development Association’s Private Sector Window
2. Jobs and Market through IDA Financing

¹³ The Omnibus Paper included the MTR commitment to give Participants an update on the fully-hedged local currency financing, as well as the annual update on IDA’s long-term bond program as agreed with the Participants during the IDA20 third replenishment meeting.