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

ADDITIONS TO RESOURCES: IDA CRISIS FACILITY

Approved by the Executive Directors of IDA

on May 18, 2023

ACRONYMS AND ABBREVIATIONS

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

BoG	Board of Governors
CF	Crisis Facility
CEF	Credit Enhancement Facility
CPLs	Concessional Partner Loans
CRW +	Special Program to Enhance CRW
CRW	Crisis Response Window
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
DSC	Deployable Strategic Capital
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ERA	Economic Resilience Action
ERF	Early Response Financing
FAO	Food and Agriculture Organization
GCFF	Global Concessional Financing Facility
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDPs	Internal Displaced Persons
IFC	International Finance Corporation
IFIs	International Financial Institutions
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
MDTF	Multi-Donor Trust Fund
MTR	Mid-Term Review
PPP	Purchasing Power Parity
RDNA	Rapid Damage and Needs Assessment
RMS	Result Measurement System
SOE	State-owned enterprises
SPUR	Special Program for Ukraine and Moldova Recovery
URTF	Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund
FREE SDPL	Financing of Recovery from Economic Emergency Ukraine Supplemental Development Policy Loan
WBG	World Bank Group
WFP	World Food Programme
WHO	World Health Organization

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EXECUTIVE SUMMARY

i. **Over the last few years, multiple overlapping global crises have severely affected the economies of International Development Association (IDA) countries.** The challenges already faced by IDA countries as a result of the COVID-19 pandemic and extreme weather events caused by climate change have been exacerbated by Russia's invasion of Ukraine. In particular, the global rise in energy, food, and fertilizer prices has severely affected IDA countries with high proportions of poor and vulnerable people, leading to increased food and nutrition insecurity, particularly in Africa and the Middle East.

ii. **The war on Ukraine continues to have devastating economic and social consequences, not only in the country, but also globally.** Millions of Ukrainians have become refugees or internally displaced, and there has been extensive damage to critical infrastructure. Moldova is facing unprecedented challenges resulting from the spillovers of the invasion, which have put a severe strain on households, the economy, and public finances.

iii. **The World Bank Group (WBG) has mobilized significant financial support to respond to the crisis.** The WBG has put in place a 15-month crisis response financing package of about $170 billion for the period of April 2022 to June 2023 to help countries navigate multiple overlapping crises. Under this package, IDA countries are receiving substantial financing support through frontloading of IDA20 resources, as well as access to the Crisis Response Window (CRW). The first nine months of IDA20 have seen very high demand for CRW resources, with $2,023 million (or 61 percent of the IDA20 CRW envelope) allocated to 28 countries. The WBG has also mobilized approximately $26.3 billion in emergency financing for Ukraine[i] ($24.3 billion from World Bank, $22.3 billion of which from donor resources, and $2 billion from the International Finance Corporation [IFC])[ii] since February 2022.

iv. **The $93 billion financing package in IDA20, albeit being a record amount, is now faced with the challenge of addressing multiple crises, mostly unanticipated and unplanned for when the IDA20 discussions were ongoing.** While IDA's near-term capital position allowed IDA to support countries' frontloading of their IDA20 resources from FY24 to FY23, this implies significantly lower financing in the outer years of IDA20, at a time of crisis and elevated financing needs.

v. **Management proposes to establish a special Crisis Facility with two dedicated programs, with an overall proposed target financing size of $12 billion, split as $6 billion for CRW+ and $6 billion for SPUR.**[iii] The Crisis Facility is designed to complement existing resources and provide additional financing to support to IDA countries severely impacted by Russia's invasion of Ukraine, as well as Ukraine, and to a lesser degree Moldova. The Crisis Facility will leverage new donor resources using IDA's balance sheet through two dedicated programs: (i) for additional support to IDA countries' crisis response (referred to below as CRW+); and (ii) for support to Ukraine and Moldova (referred to below as "Special Program for Ukraine and Moldova Recovery" or SPUR). Financing under the Crisis Facility will be offered to IDA

[i] Data as of April 7, 2023, for WB and April 12, 2023, for IFC.
[ii] The $2 billion from the IFC has not yet been committed.
[iii] This will require $6 billion of donor contributions (of which $4 billion for CRW+ and $2 billion for SPUR).

countries on IDA terms for which they are normally eligible under the CRW and to Ukraine and Moldova on regular IBRD terms.

vi. **The CRW+ program of IDA's Crisis Facility will provide additional CRW resources to meet expanded demand in IDA countries during FY24-25.** IDA countries face a challenging near-term outlook shaped by high food, fertilizer, and energy prices, rising interest rates and credit spreads, currency depreciation, and capital outflows, and will need continued support from the World Bank to scale up responses. IDA's CRW was deployed rapidly under IDA20 to help countries address both acute and slow-onset crises, with 61 percent of the CRW total resources allocated by mid-April 2023. CRW+ will provide additional resources to meet elevated demand, which was not foreseen at the time of the IDA20 replenishment, to help IDA countries act early in response to food insecurity, grapple with severe economic crises, address increasingly frequent and severe natural disasters and respond to health emergencies and severe disease outbreaks.

vii. **CRW+ will retain key parameters of the CRW window agreed at IDA20 replenishment with two adjustments**. Implementation arrangements agreed at the IDA20 replenishment set out eligibility criteria for each type of crisis response the CRW funds. The same implementation arrangements will apply to CRW+, with two changes. The current per-country cap of $50 million on Early Response Financing (ERF) for food insecurity will be adjusted to reflect newly available financing in CRW+, which is of particular importance to large IDA countries. Similarly, eligibility criteria for responding to economic crisis will be streamlined under CRW+ to align with current economic conditions. Countries will access CRW+ on their currently applicable concessional financing terms, as they do under agreed implementation arrangements for the CRW in IDA20. Countries that do not have access to IBRD financing make up the largest share of those relying on CRW support, and this is expected to continue under the CRW+.

viii. **In the spirit of global solidarity, the SPUR program of the Crisis Facility will also finance reconstruction and recovery investments in Ukraine.** It will complement financing available through other channels. These include financing from the International Bank for Reconstruction and Development (IBRD), including resources supported by bilateral donor guarantees and Japan's Credit Enhancement Facility (CEF), and the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF). The magnitude of the support that Ukraine currently needs exceeds the available resources, despite the significant assistance provided to Ukraine through various channels. As of February 24, 2023, reconstruction and recovery costs are estimated to be approximately $411 billion.[iv] The additional financing generated by SPUR will help reduce the huge financing gaps. SPUR will also provide additional resources to Moldova as it continues to host a large refugee population from Ukraine.

ix. **The use of the IDA's balance sheet for SPUR offers the most value for money for donor resources for support to Ukraine with leveraging of donor contributions of up to three times.** Due to IBRD's already significant exposure to Ukraine, it can currently increase lending to Ukraine only by $1 for every $1 of additional donor contribution – whether channeled as guarantees from highly-rated donors, capital contribution or grants recognized as income – in so doing fully covering additional IBRD exposure to Ukraine. Unlike IBRD, IDA has limited

[iv] This is based on the second Ukraine Rapid Damage and Needs Assessment: February 2022-February 2023 (RDNA2) (March 2023).

exposure to Ukraine and can prudently leverage new donor contributions to maximize the reach of donors' scarce resources and provide up to $3 of financing to Ukraine for each $1 of donor contribution. In addition, over the medium to longer term, reflows from loans to Ukraine and Moldova made under the SPUR program of the Crisis Facility (assuming no non-accrual events) will strengthen IDA's balance sheet and provide additional resources to all IDA countries.

x. **The leverage potential of donor contributions assumed in SPUR takes heightened Ukraine credit risk into account.** Such financing provided through SPUR will not have a negative impact on IDA's deployable strategic capital (DSC) over the medium term nor on its future financial capacity, except in the event of a default by Ukraine. In the event of a default, the negative impact on IDA's financial capacity, and correspondingly future financing levels to IDA clients, is expected to be manageable. For instance, $7 billion IDA commitments for Ukraine – from $6 billion financing from SPUR and considering the existing $1 billion IDA exceptional financing to Ukraine approved in April 2022,[v] - based on current assumptions on disbursement speed and applicable repayment terms of the Ukraine financing could result in a net exposure for IDA of $5 billion. A non-accrual on this $5 billion exposure would imply a 1.5 percent decrease in IDA's FY34 DSC, which may reduce the volume of IDA21 to IDA23 by $1.7 billion per replenishment. Despite the calamities that Ukraine has been experiencing, Ukraine has been meeting their debt repayment obligations. Default on its obligations to IDA will trigger a cross default provision, resulting in loss of access to financing from both IBRD and IDA for Ukraine at the time when it needs resources the most. The International Monetary Fund (IMF)'s latest Debt Sustainability Analysis (DSA) of March 2023 shows that Ukraine's public debt is assessed to be sustainable on a forward-looking basis, contingent on an eventual debt restructuring (official bilateral and external commercial debt) and sufficiently concessional financing. The World Bank, like other multilateral lenders, is exempt from providing debt treatment.[vi]

xi. **SPUR builds on previous experience where IDA's capacity had been used to support countries in highly exceptional circumstances, including conflict, pandemics, external shocks, and rapidly declining income levels.** In the past, IDA has provided support to non-IDA eligible countries in highly exceptional circumstances. An exceptional case was made in 2020 to continue supporting the latest IDA graduates, Moldova and Mongolia, to respond to their urgent COVID-19 related needs. Lebanon and Jordan received exceptional IDA18 allocation in 2019 for projects benefiting Syrian Refugees. Iraq also received exceptional access to IDA resources in 2003 to help address the disruption that the war had caused on the oil industry. As part of the World Bank's immediate response to Russia's invasion of Ukraine, both Ukraine and Moldova received exceptional financing from IDA in April 2022. SPUR will ensure that the agreed IDA20 financing is fully reserved for IDA countries and that there is no negative impact on IDA's capacity to efficiently deploy scarce resources over time. Moreover, Ukraine's rapidly deteriorating per capita income level is now comparable to that of many IDA Gap and Blend countries that benefit from IDA. In addition, given the critical role that Ukraine plays in global food and fuel supplies

[v] "IDA19 Exceptional Support to Ukraine and Moldova", IDA-R2022-0123, April 2022.

[vi] *Ukraine: Request for an Extended Arrangement Under the Extended Fund Facility and Review of Program Monitoring with Board Involvement-Press Release; Staff Report; and Statement by the Executive Director for Ukraine (imf.org) (March 31, 2023).* Financing assumptions used in the DSA include the $6 billion of SPUR financing on IBRD terms, which is considered concessional relative to other financing options available, while not concessional using the standard definition of a grant element of 35 percent.

and the severe price impact that these supply disruptions are having on IDA countries, support to Ukraine will also contribute to mitigating disruptions in fuel and food supply and trade.

xii. Following consultations on April 18, 2023 for establishing the Crisis Facility, IDA Deputies and Borrower Representatives ("Participants") proposed that the Executive Directors recommend to the Board of Governors the adoption of the draft Resolution attached in Annex 5.

I. INTRODUCTION

1. **Russia's invasion of Ukraine continues to cause economic and social turmoil regionally and globally.** The countries eligible for financing from the International Development Association (IDA), with a high share of the poor and the vulnerable, have been most severely affected by the global surge in energy and food prices as well as rising inflation caused by the war, in the midst of compounding, overlapping global crises. In Ukraine, the ongoing war has left devastating economic as well as poverty and social impacts through displacement of people, damage to infrastructure and disruption to trade. The war also continues to have significant spillover effects on the Moldovan economy, with the fiscal situation deteriorating rapidly due to a large inflow of refugees, rising gas prices, elevated inflation, and increasing social assistance costs. The fiscal position is expected to worsen significantly over the medium term.

2. **While the World Bank Group (WBG) has stepped up support for IDA countries and Ukraine, the financing needs are expected to be extremely high.** The polycrises, including the impact of Russia's invasion of Ukraine, has put further pressure on IDA's Crisis Response Window (CRW), not foreseen at the time of the IDA20 replenishment discussions. The WBG has mobilized approximately $26.3 billion in emergency financing to Ukraine since the start of the war (Annex 1, Table A1.1), including an exceptional IDA support in the form of $1 billion short-maturity non-concessional financing in IDA19. However, the scale of Ukraine's financing needs leaves a large gap in available financing.

3. **This paper presents Management's proposal to establish an IDA Crisis Facility with two separate programs.** The Crisis Facility has two objectives. First, to provide additional resources to IDA countries affected by the fallout of the war on Ukraine at a time of compounding, overlapping global crises. Second, to provide a mechanism for pooling and leveraging contributions to support Ukraine, and also to neighboring Moldova. The proposed Crisis Facility thus comprises two distinct programs: (i) for additional support to IDA countries' crisis response (Special Program to Enhance CRW or CRW+); and (ii) for support to Ukraine and Moldova (Special Program for Ukraine and Moldova Recovery or SPUR). With contributions to both facilities ultimately flowing into IDA's equity, contributions received for this program will benefit from the leveraging capabilities available through IDA. In addition, in the mid- and long-term, IDA countries will benefit from additional capacity that will be generated by reflows from loans to Ukraine and Moldova, assuming no non-accrual events. The paper also positions SPUR vis-à-vis the range of options for the deployment of additional donor resources for Ukraine, including Trust Funds and International Bank for Reconstruction and Development (IBRD) resources.

4. **The remainder of this paper is organized as follows:** Section II discusses the worsening challenges in the IDA countries, as well as the impact of the war on the situation in Ukraine and Moldova; Section III presents the WBG support to date and rationale for the Crisis Facility; Section IV presents the proposed Crisis Facility, including its structure, use of funds, complementarity with other financing sources, financing terms and donor contribution arrangements; Section V discusses financial implications; and Section VI lays out next steps.

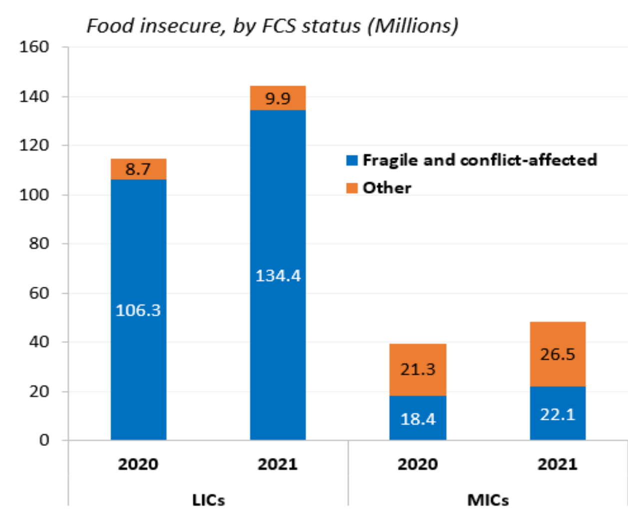
II. WORSENING CHALLENGES IN IDA COUNTRIES AND IMPACT OF THE INVASION

5. **This section discusses worsening challenges in IDA countries, and the recent impact of the ongoing invasion on the situation in Ukraine and Moldova.** Discussions on the development challenges facing IDA countries, including poverty trends, food insecurity, and the impacts of natural disasters and climate change, are found in the recent Global Economic Prospects (January 2023) and Mega Trends Board presentation.[1] A detailed discussion of the impact of Russia's invasion of Ukraine was provided in the paper entitled "*Providing Exceptional IDA19 Support to Ukraine and Moldova*" approved by the Board on April 29, 2022 and the *"World Bank Group Response to Global Impacts of the War in Ukraine – A Proposed Roadmap*" distributed to the Board on April 13, 2022.

A. Challenges in IDA countries

6. **In IDA countries, economic challenges have been exacerbated by the war on Ukraine, particularly deepening food and energy insecurity.** COVID-19 led to significant setbacks that are affecting IDA countries' ability to make progress. These challenges were further worsened by the ongoing war on Ukraine, which as a major grain and oil seed producer plays a key role in global food security. In particular, the global surge in energy and food prices has severely affected IDA countries with a high share of poor and vulnerable in their population, resulting in heightened food and nutrition insecurity, particularly in Africa and the Middle East. Inflation and higher interest rates, combined with falling incomes in real terms, are pushing more people back into extreme poverty. During the pandemic, extreme poverty, as measured by the global extreme poverty rate of $2.15 per day (2017 PPP) increased.[2] Besides high inflation driven by rising food and energy prices, IDA countries are also grappling with increased debt vulnerability, limited fiscal space and supply-chain and trade disruptions. Furthermore, many countries have witnessed increased social unrest, with the rise of coups and closure of civic space during and after the pandemic. This will potentially further jeopardize hard-earned development gains.

Figure 1. Prevalence of Food Insecurity by FCS Status, 2020 vs 2021



Source: Mega Trend Board Presentation, World Bank Poverty and Inequality Platform.

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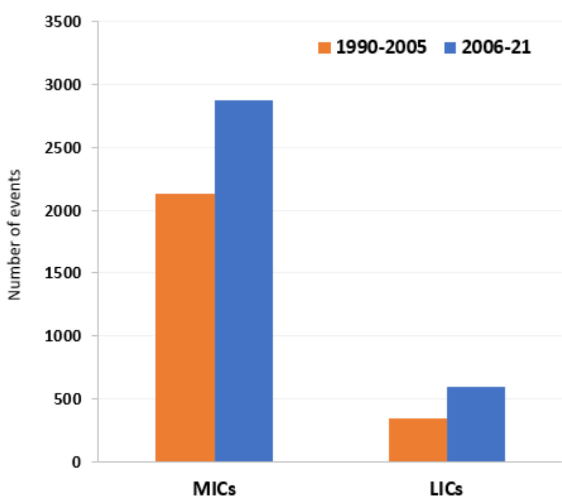
1 Mega Trends Board Presentation (Source: World Bank Poverty and Inequality Platform; EM-DAT; WFP; World Bank Poverty and Shared Prosperity 2022: Correcting Course).

2 Mega Trends Board Presentation (Source: World Bank Poverty and Inequality Platform; EM-DAT; WFP; World Bank Poverty and Shared Prosperity 2022: Correcting Course).

7. **The goals of poverty reduction are becoming increasingly unattainable for many IDA countries.** Many IDA countries now face a worsening economic outlook with a devastating impact on poverty and food insecurity. Recent analysis[3] suggests that IDA countries' aggregate and per capita GDP are expected to be 1.2 percent below pre-war projections in 2023. In addition, more than 200 million people in the IDA countries were on the verge of acute food insecurity in 2022, an increase of about 18 percent from the previous year. Similarly, extreme poverty has increased in fragile and conflict affected countries in 2022, with the extreme poverty headcount estimated at 44 percent of the population in the average fragile IDA economy. Finally, living standards, especially for the most vulnerable, have been eroded due to rising food inflation, with food prices having risen by 16 percent in the median IDA country as of February 2023.

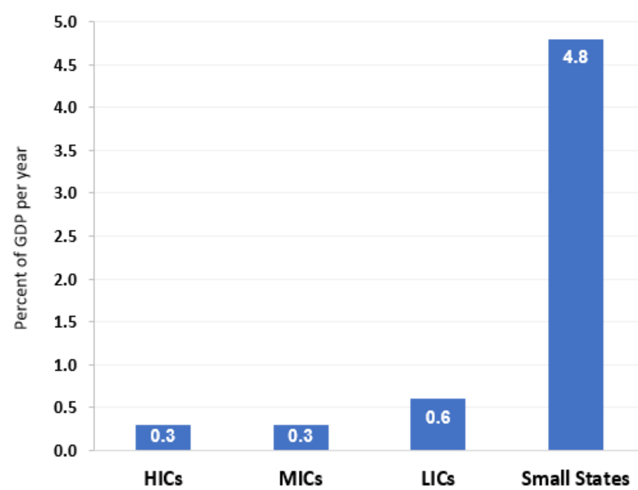
8. **Fueled by climate change, the frequency and intensity of weather-related natural disasters has increased, undermining food and nutrition security.** Several IDA countries have experienced extreme climate events in the first 9 months of the IDA20 cycle. Floods have affected close to 35 million people in Pakistan, Yemen, and South Sudan. Mozambique and Malawi have been hit by three cyclones since January 2022. The most recent, Cyclone Freddy, made landfall in March 2023 and severely affected Madagascar, Mozambique, and Malawi. La Niña conditions have persisted for the past three years, which are expected to further exacerbate drought and acute food insecurity situation in the Horn of Africa. Extreme climate events have led to significant adverse impacts on infrastructure, agriculture, and livelihoods, where agricultural productivity is slowing, most acutely in sub-Saharan Africa, further stressing food and nutrition security in the region.

Figure 2. Incidence of Natural Disasters, 1990- 2021



Sources: Mega Trend Board Presentation, EM-DAT; World Bank.
Note: Disasters include droughts, floods, and storms.

Figure 3. Damages and Losses from Natural Disasters, 1990-2021



Sources: Mega Trend Board Presentation, EM-DAT; World Bank.
Note: Bars show the sum of damages in each group of countries in each year divided by the sum of nominal GDP in each group of countries, weighted by country-level nominal GDP.

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3 World Bank (May 5, 2023). "The Impact of Russia's Invasion of Ukraine on IDA Economies: Talking Points and Brief." Mimeo. The figures cited in the paragraph are taken from the paper referenced here.

9. **The global food and nutrition security crisis is still unfolding, and client countries need continued support from the World Bank to scale up responses.** Updated analysis from the Food and Agriculture Organization (FAO) and the World Food Programme (WFP) suggests that acute food insecurity is expected to worsen over the coming year. Additionally, World Bank modeling indicates that needs will remain high globally through 2027 if additional actions are not taken. Recent analysis by the International Food Policy Research Institute (*https://www.ifpri.org/blog/food-price-inflation-really-subsiding*) further supports the view that conditions will remain dire for the foreseeable future, and several risks continue to inhibit recovery. Among these: food and fertilizer prices continue to exceed historical standards, and markets for staple foods remain tight. In addition, the prolonged war on Ukraine and adverse climatic conditions have dampened 2023 production prospects for wheat and other crops. Furthermore, food affordability remains a challenge at the household and macroeconomic level.

B. Impact of the invasion on Ukraine and Moldova

10. **Russia's invasion of Ukraine is causing devastating economic, poverty and social consequences.** While economic activity has started to gradually improve since April 2022, Ukraine's Gross Domestic Product (GDP) in 2022 contracted by 29.2 percent from an expansion of 3.4 percent in 2021, and the fiscal deficit excluding grants rose to 26.5 percent of GDP from 0.5 percent the previous year.[4] The impact of the war on poverty is also significant. The share of the Ukrainian population below the national poverty line could reach nearly 60 percent in 2022, up from 18 percent in 2021. In addition, the upper-middle income poverty rate ($6.85 per day at 2017 Purchasing Power Parity [PPP]) is projected to jump from 5.5 percent in 2021 to 24.1 percent in 2022. Millions of Ukrainian refugees have fled to neighboring countries or are internally displaced. Forced displacement, measured as the ratio of Internal Displaced Persons (IDPs) to the population and total refugee outflows to the population reached 12.2 percent[5] and 18.7 percent,[6] respectively.

11. **Despite the substantial amount of support provided through multilateral and bilateral channels since the outbreak of the war, post-war recovery and reconstruction needs in Ukraine are massive.** Based on the second Rapid Damage and Needs Assessment (RDNA2) for Ukraine[7] released in March 2023, the cost of reconstruction and recovery was estimated to be approximately $411 billion (more than twice Ukraine's pre-war GDP).[8] Of this amount, damage to physical assets was estimated at $135 billion. Ukraine's non-military financing needs for 2023 are substantial and are expected to be $3-3.5 billion per month. The total financing gap for 2023 reported by the Ukrainian authorities earlier this year was around $42 billion.

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4 World Bank Macro and Poverty Outlook (MPO), April 2023.

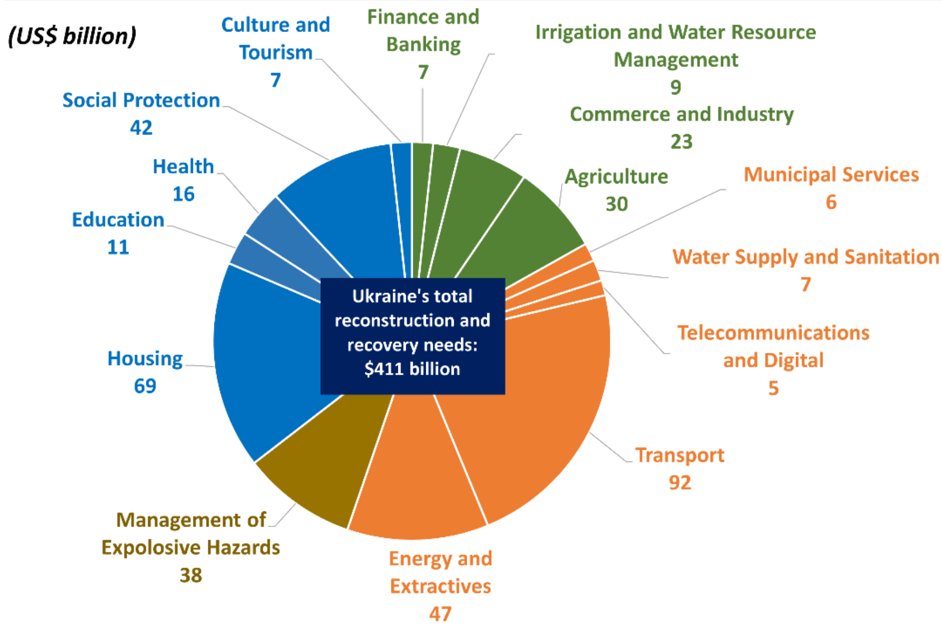
5 Number of IDPs (5.35m) are as of January 2023 and 2021 population (Source: IOM, WDI).

6 The figure is based on the number of Ukrainian refugees registered in Europe (8.17m) as of April 25, 2023 and 2021 population (Source: UNHCR, WDI).

7 Ukraine Rapid Damage and Needs Assessment: February 2022-March 2023 (March 2023), World Bank, Gov. of Ukraine, and European Union, and United Nations). The figure is based on the impact of the war between Feb 24, 2022-February 24 , 2023.

8 Based on Ukraine's 2021 GDP (Source: WDI as of March 2023).

Figure 4. Breakdown of Ukraine's Reconstruction and Recovery Needs



Source: The second Ukraine Rapid Damage and Needs Assessment (RDNA2), March 2023

12. **Moldova is facing rapidly growing financing needs from hosting Ukrainian refugees and mitigating the impact of the energy crisis.** Moldova's economy contracted by 5.9 percent in 2022, down from an expansion of 13.9 percent in 2021.[9] Energy supply disruptions have pushed energy prices to unbearable levels for the population, and trade disruptions have caused a significant increase in the price of intermediate imports, affecting two key growth drivers – construction and agriculture – undermining export competitiveness, widening the current account deficit and accelerating inflation to over 30 percent by the end of 2022. The fiscal deficit is expected to worsen significantly, reaching 5.6 percent in 2023 due to the large inflow of Ukrainian refugees (accounting for 4.1 percent of the population),[10] rising gas prices, elevated inflation, and increasing social assistance costs. Moldova's financing needs in 2023 are projected to be about 2 percent of GDP or $274 million[11] solely for compensatory measures to mitigate the impact of higher energy tariffs on households. In addition, based on the World Bank's staff estimates, additional financing needs due to increased fiscal costs of hosting Ukrainian refugees and high energy prices exceed $1.7 billion for 2022 – 2024.[12] Poverty rates are expected to double compared to last winter if no actions are taken.

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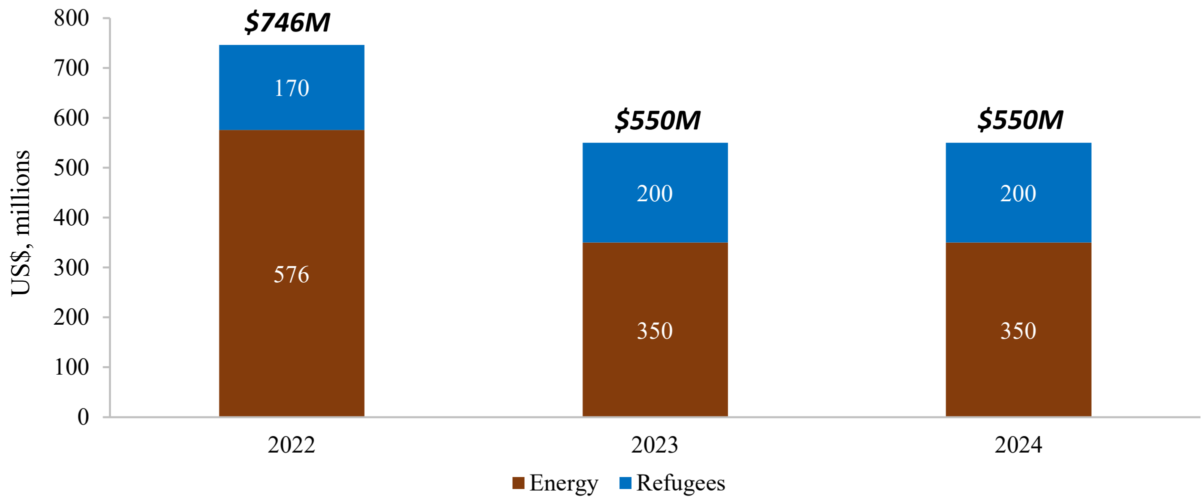
9 World Bank MPO, April 2023.

10 The figure is based on the number of Ukrainian refugees registered in Moldova (106,485) as of April 11, 2023 and 2021 population (Source: UNHCR, WDI).

11 This additional spending is expected to be partly offset by expenditure measures, while revenues are expected to decline in real terms as economic activity slows.

12 This figure consists of $570 million for refugees and $1.2 billion for high energy prices. World Bank staff estimate based on 91,000 refugees who are expected to remain in the country. The former includes both direct costs, including humanitarian support, costs for Moldova's family hosting refugees, and per diem given to the refugees, and indirect costs such as granting education access to children and health-related costs. The latter is based on additional costs of energy procurement from Europe.

Figure 5. Moldova's Additional Financing Needs in Response to Increase in Fiscal Costs of Hosting Refugees and High Energy Prices



Note: WB staff estimate based on 91,000 refugees and additional costs of energy procurement from Europe. The figure of 2022 includes advanced purchase of gas and oil for the entire 2022-23 winter season (incl. Jan-Mar 2023) and the 2024 figure assumes the same energy prices and weather as this winter.

III. WBG SUPPORT TO DATE AND RATIONALE FOR THE CRISIS FACILITY

13. **The WBG's Global Crisis Response Package of about $170 billion for the period of April 2022 to June 2023 is helping countries navigate multiple overlapping crises, including the impact of the war on Ukraine**. Under this package, IDA would make available up to $53.8 billion. Since April (from Q4 FY22 through Q3 FY23), IDA has committed over $38 billion to support immediate needs and economic recovery as well as medium-to-longer term needs in IDA countries. The efforts have included allocating a large portion of CRW resources in the first months of IDA20.

14. **IDA's CRW was deployed rapidly to help countries address both acute and slow-onset crises, including in particular Russia's invasion of Ukraine which accelerated the growth of food insecurity.** IDA20 increased the size of the CRW to $3.3 billion, up from $2.5 billion in IDA19. Of this, up to $1 billion is available for Early Response Financing (ERF) to mitigate slow-onset food or health crises, with the remaining $2.3 billion available to respond to severe natural disasters, health emergencies, or economic crises. In the first months of IDA20, the CRW was used to respond rapidly to a wide range of crises, with 61 percent of the CRW total resources allocated by mid-April 2023. This included intensive efforts to address rising food insecurity, with $848 million allocated to 22 countries as of April. CRW resources were also allocated for flood response in Pakistan, Yemen and South Sudan, and Malawi's response to a health emergency (see Annex 2). Additional requests for CRW allocations currently in process are expected to increase the total CRW allocations to at least 67 percent by end FY23.

15. **The CRW+ program of the Crisis Facility can alleviate the pressure that the polycrises are putting on IDA and CRW financing, particularly by helping countries cope with food insecurity and extreme climate events.** IDA countries have been hit hardest by the global surge in energy and food prices and rising inflation caused by the invasion. Extreme weather events due to climate change have also undermined food security in these countries. Calls on CRW resources are likely to continue amidst ongoing food insecurity, the continuing economic fallout from the invasion, increasingly frequent and severe natural disasters, and continued risk of pandemic. Current scenarios of high food insecurity suggest significantly higher demand for ERF than envisioned at the time of IDA20 negotiations. Most IDA countries have seen a severe deterioration in GDP growth, average inflation has doubled over the past year and is now in double digits in the majority of IDA countries, which suggests that a large number of IDA countries could benefit from CRW support to deal with the economic crisis caused to a large extent by the spillovers of the invasion. In a typical IDA cycle, the mid-term review would offer an opportunity to reallocate needed and unused funds into the window. However, IDA's surge financing as part of the WBG global crisis response package and exchange rate fluctuations means that financing volumes have declined for the remaining two years of IDA20. While all possible means are being considered, CRW+ offers an opportunity to supplement resources for crisis response in the immediate term without depleting IDA resources needed elsewhere in the future.

Figure 6. IDA20 Crisis Response Window (CRW) Allocation

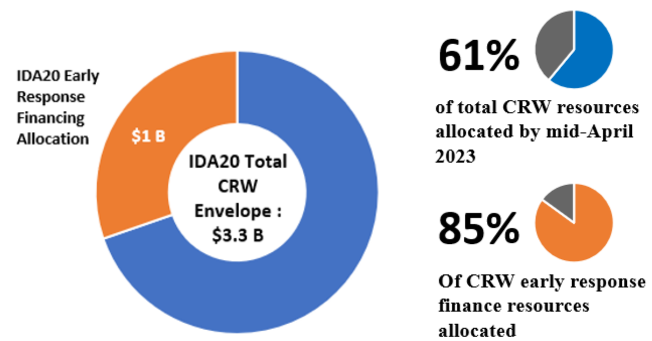
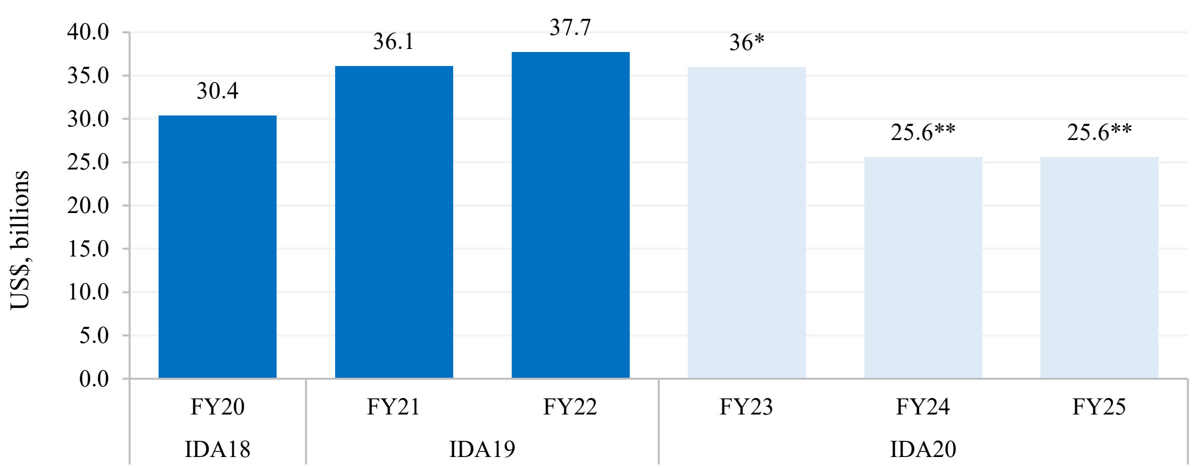


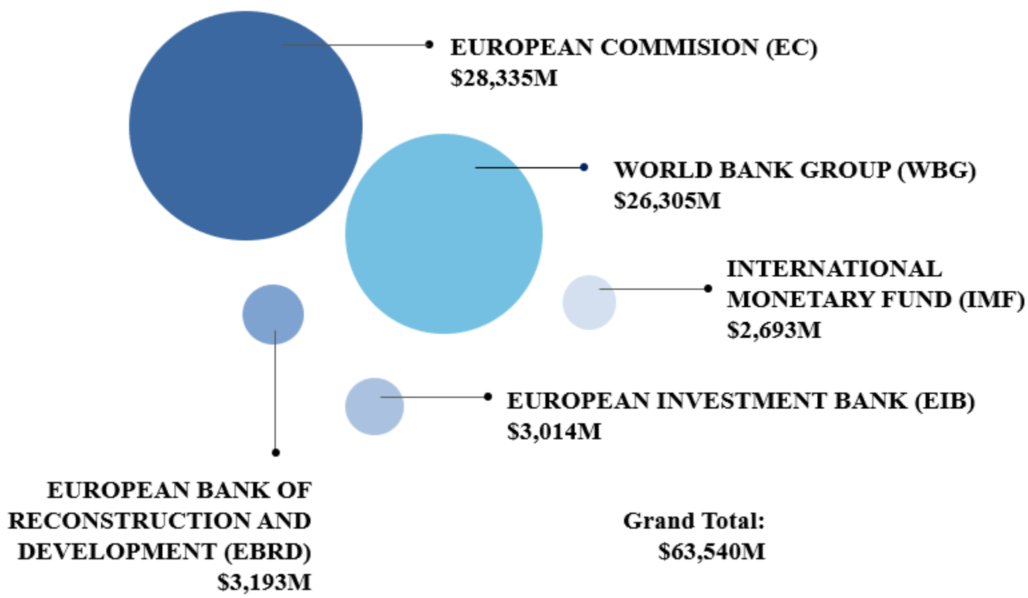
Figure 7. IDA Actual and Anticipated Delivery (net PSW) in FY20-FY25



*Note: The darker shading distinguishes actual delivery FY20-FY22 from anticipated delivery FY23-FY25. *FY23 amount includes $1.2 billion from IDA19 grandfathered projects approved in July 2022. **FY24-FY25 estimated amounts use the March 31, 2023, SDR/USD exchange rate of 1.34523*

16. **Since the start of the war, the WBG has mobilized approximately $26.3 billion in emergency financing for Ukraine ($24.3 billion from World Bank and $2 billion from the International Finance Corporation [IFC]).**[13] This is part of a total of nearly $59.9 billion the governments and international financial institutions have mobilized for the Government of Ukraine as of February/April 2023 (Annex 1, Table A1.2). Much of the financial assistance provided by the World Bank has been in the form of grants from bilateral partners (Annex 1, Table A1.3). Shareholders also provided support in the form of shareholder guarantees for additional lending from IBRD. Included in the World Bank's $20.6 billion is financing from IDA, the exceptional $1 billion short-maturity, non-concessional financing provided from IDA19 resources – agreed with IDA Deputies and approved by IDA's Board in April 2022. However, the magnitude of support that Ukraine currently needs far outstrips available resources.

Figure 8. Financial Assistance to Ukraine from International Finance Institutions, Enabled by Grants and Guarantees from Donors



Note: WBG data as of April 7, 2023. EC, IMF, EIB and EBRD data as of February 24, 2023.. Loans, Guarantees and Grants to the Government of Ukraine and Private Sector, excluding humanitarian, military, in-kind or other support.

17. **IFC is playing an important role in supporting private sector resilience in Ukraine through a phased approach, as discussed with the Board in December 2022,** when IFC presented the Economic Resilience Action (ERA) Program**.** In Phase I, while the conflict is active and early reconstruction period, IFC is focusing on providing short-term guarantees, liquidity, and working capital support to the real sector and essential goods and services to the population. In Phase II, IFC's efforts will focus on supporting recovery and reconstruction. IFC intends to implement a $2 billion response package, including up to $1 billion on its own account, to address the needs of the Ukrainian private sector. As part of this program, IFC is seeking to raise US$1

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[13] The $2 billion from the IFC has not yet been committed.

billion of blended finance to de-risk the investment projects and attract additional private capital, with a leverage ratio of 3-4 times for every dollar of blended finance used under the ERA Program.

18. **Among the bilateral partners that contributed to the World Bank in support of Ukraine, the United States is the largest contributor, followed by the United Kingdom.** Table A1.3 in Annex 1 shows the amount of donor contributions (in the form of grants and guarantees) mobilized by the World Bank to support Ukraine. While Japan is currently the third largest contributor, it is expected to become the second largest when the Credit Enhancement Facility (CEF) is established through issuance of a $5 billion promissory note. This will be in addition to the $1,071 million already provided to URTF as grants and parallel budget support under the World Bank FREE SDPL.[14]

19. **Moldova also benefited from World Bank support aimed at helping to address challenges posed by the inflow of Ukrainian refugees.** Moldova was provided a $100 million increase in exceptional support from the CRW under IDA19.[15] This was approved by IDA's Board together with the exceptional financing from IDA to Ukraine in April 2022, mentioned above. The country also accessed the Global Concessional Financing Facility (GCFF)[16] for $9.2 million in May 2022. In addition, the Moldova Multi-Donor Trust Fund (MDTF) established last year is providing grant co-financing to the Development Policy Operation (DPO) series to support the Government program for refugees and households to mitigate the impact of Russia's invasion of Ukraine, with an initial disbursement of $43.8 million to Moldova in December 2022.[17]

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[14] Financing of Recovery from Economic Emergency in Ukraine (FREE Ukraine) Supplemental Development Policy Loan.

[15] Following graduation at the end of IDA18, Moldova faced major challenges such as the COVID-19 pandemic, an unprecedented drought, and an energy supply crisis in 2021, which resulted in receiving exceptional IDA support from the CRW to mitigate the impact of the COVID-19 pandemic. Moldova was granted exceptional temporary access of US$63.2 million from the CRW in FY21, which was extended to FY22. The financing was on blend terms.

[16] The GCFF provides development support on concessional terms to middle-income countries impacted by refugee crises across the world.

[17] The MDTF was set up with an initial contribution from Norway to help Moldova mitigate the spill-over economic impacts of Russia's invasion of Ukraine on refugees and households, as well as build resilience and enhance competitiveness to reduce vulnerabilities to future shocks. The MDTF has benefitted from contributions from Norway, the US, Sweden, and Ireland. The supplemental DPO approved in December 2022 is in the form of grant financing from the MDTF in the amount of $43.8 million.

IV. PROPOSED CRISIS FACILITY

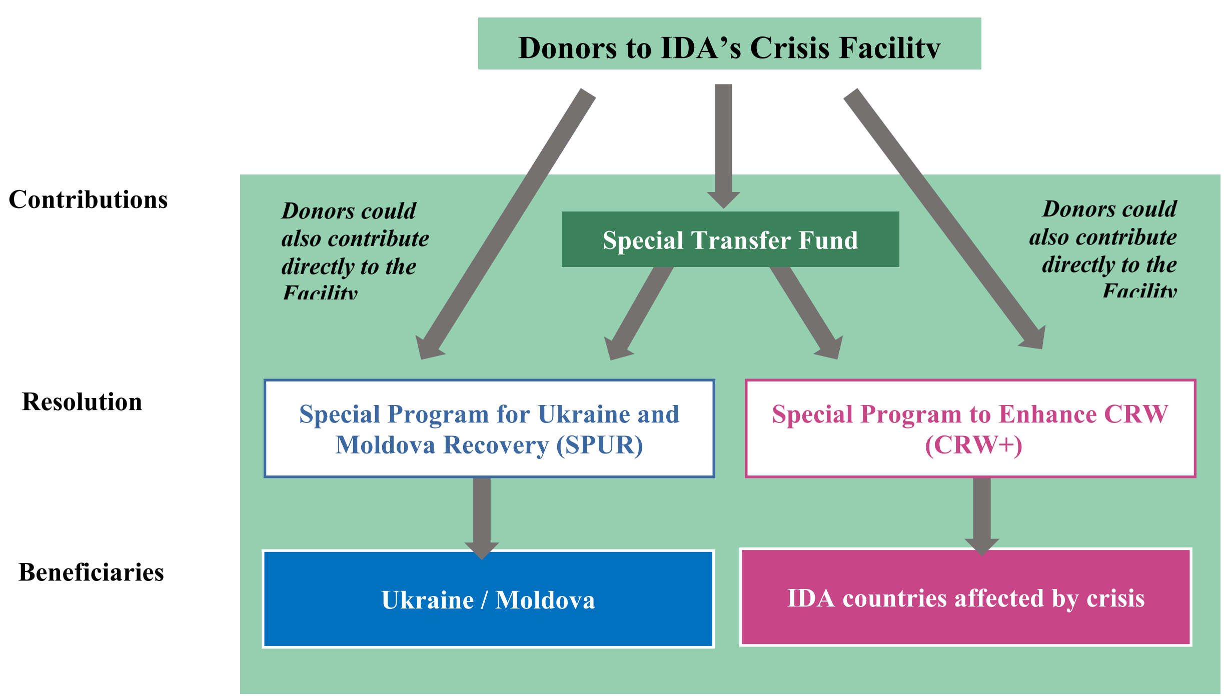
A. Structure of the Crisis Facility

20. **The Crisis Facility will allow donors to channel additional funds through two special programs, CRW+ and SPUR**. As illustrated in Figure 9, the first program – CRW+ – will support IDA countries affected by the fallout of Russia's invasion of Ukraine by complementing IDA20 CRW, while the other – SPUR - aims to support Ukraine and Moldova with exceptional IDA financing. The proposed Crisis Facility will be separate from and additional to the IDA20 package. This allows for full utilization of IDA20 resources for IDA countries to achieve objectives agreed during IDA20 negotiations.

21. **Donors can provide their contributions directly to the IDA Crisis Facility, citing, if necessary, their preference for CRW+, SPUR, or both; or - for those donors who prefer to channel their contributions through a trust fund - such contributions can be made through a Special Transfer Fund.** The Special Transfer Fund will be governed by a bespoke Fund contribution agreement that will confer all economic benefits and control of the use of funds to IDA. Resources from the Special Transfer Fund will be transferred in accordance with the Fund contribution agreement to the relevant programs (CRW+, SPUR, or both).

22. **All donor contributions to the Crisis Facility – whichever the modality (direct or through the Special Transfer Fund) donors use to provide them – will flow into IDA's capital base**, allowing these to be leveraged for the target amounts of Crisis Facility financing that IDA, through its existing organization and processes, will deploy for IDA countries, Ukraine, and Moldova through IDA-funded operations.

Figure 9. IDA's Crisis Facility Structure



23. **The proposed target size for financing from the Crisis Facility is $12 billion, broken down into $6 billion financing to IDA countries through CRW+ and $6 billion financing to Ukraine and Moldova through SPUR. This $12 billion proposed target size will require $6 billion of donor contributions (of which $4 billion for CRW+ and $2 billion for SPUR).** The pledging process of the Crisis Facility has already started, with 6 countries already having announced their pledges, and will remain open thereafter. At the IDA20 Mid-Term Review (MTR) in December 2023 the size of both programs will be announced. This proposed target size of the Crisis Facility considers the following:

a. clients' needs that point to these proposed amounts for CRW+, Ukraine, and Moldova;

b. the continued use for the CRW+ resources of existing terms applicable to beneficiary countries, and the proposed use of IBRD financing terms for Ukraine and Moldova;

c. current capital set-aside requirements for these beneficiary countries; and

d. ensuring IDA long-term financial sustainability (as indicated by IDA's Deployable Strategic Capital [DSC] Ratio trajectory to FY34) is not negatively impacted.

B. Planned Use of the Crisis Facility

i. Special Program to Enhance CRW (CRW+)

24. **CRW+ will provide additional resources to meet elevated demand not foreseen at the time of IDA20 replenishment.** The $3.3 billion allocated to the CRW in IDA20 aimed to address the increased vulnerability to shocks faced by IDA countries as they emerged from COVID-19, but anticipated that countries would progressively transition out of the most acute phase of the pandemic response during the cycle. The final report of the IDA20 replenishment acknowledged the inherent uncertainty of this assessment, observing that "sizing the CRW is challenging due to the varied crises it covers, and difficulties in predicting the timing and severity of crises…"[18] IDA20 agreements were reached in December 2021. Russia's invasion of Ukraine two months later resulted in a range of crises that were larger, more widespread, and more protracted than those the IDA Participants envisioned during the replenishment. CRW+ has been sized at a target of $6 billion to align with the estimated additional demand among IDA countries for crisis response funding during the remainder of the cycle.

25. **CRW+ will support IDA countries to respond to food insecurity, economic shocks, natural disasters, and health crises.** Specific uses of CRW+ funds for crisis response will be determined country by country. Implementation arrangements agreed at the IDA20 replenishment set out eligibility criteria for each type of crisis response the CRW funds. Management assesses the eligibility of specific proposals for CRW financing, after which the Board makes final

18 Additions to IDA Resources: Twentieth Replenishment, Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future ("IDA20 Deputies Report"), February 17, 2022, page 77.

decisions on use of CRW resources when projects are approved.[19] These implementation arrangements will continue to apply to CRW+, with two modifications. Per-country caps on the maximum allocation of ERF resources for food insecurity and eligibility criteria for economic crisis support will be adjusted to reflect the additional resources available.[20] Under the implementation arrangements, the CRW+ will be expected to:

a. *Provide early response financing for food insecurity*. The population of food insecure people has nearly doubled in low-income countries since 2019, reaching 104.7 million worldwide. Rising food insecurity is reflected in an increased number of ERF allocations. Available IDA20 ERF resources now stand at only $152 million, and the ERF food security trigger mechanism has identified additional countries that could potentially qualify.[21] Implementation arrangements currently cap ERF for food insecurity at $50 million per country, per IDA cycle. This sum falls short of the needs of larger countries grappling with food insecurity.[22] Given the scale of the ongoing food crisis, additional resources will allow the per-cycle caps to be adjusted for CRW+.

b. *Respond to severe economic crises*. In IDA countries, economic fallout from the war on Ukraine has contributed to slowing growth and spiraling inflation, high interest rates and borrowing costs, even as fiscal buffers have been depleted by other compounding crises. Under current implementation criteria, declining year-on-year growth rates, price shocks, and international consensus on the need for concerted response are relevant to eligibility determinations. Under the CRW+, eligibility criteria will be adapted to allow for a rolling average growth rate as the basis for comparison,[202020] and the establishment of the IDA Crisis Facility will be accepted as evidence of the consensus on the need for concerted international response. These modifications will streamline eligibility under the CRW+ to support IDA countries as they respond to economic crisis caused by the spillovers of the war on Ukraine.

[19] Management provides additional transparency by informing the Board when it determines a project is eligible to use CRW resources. This notification is typically provided before the project or additional financing is presented to the Board for approval.

[20] CRW implementation arrangements offer two alternative eligibility bases for financing to respond to exogenous economic shock. *Either* the shock results in a year-on-year decline in GDP growth of 3 percentage points or more *or* the shock has created a severe fiscal impact and there is consensus that a concerted international response is needed. As noted in the text, both alternative eligibility criteria will be adjusted under the CRW+. *First*, while the growth decline will continue to be assessed using GDP data projections from the IMF's World Economic Outlook, rather than comparing year-on-year growth rates, a three-year pre-pandemic average growth rate will be used as the basis for comparison and the threshold for economic deterioration will be adjusted to a 2-percentage point decline in GDP growth. This approach will ensure that need is not distorted by recent sharp fluctuations in growth rates driven by the pandemic. *Second*, accepting the Board of Governor's resolution establishing CRW+ as evidence of the consensus that an international response is required ensures equitable treatment of all IDA countries once fiscal impact and country allocations are assessed.

[21] Burkina Faso, Cameroon, Democratic Republic of Congo, Nigeria and Sudan have met the ERF food security triggers but are yet to pursue eligibility.

[22] For example, in Ethiopia, a needs assessment concluded that US$ 1.68 billion will be required from development partners to support 20.4 million people who are in urgent need of food assistance (in cash or in kind).

c. *Provide financing to address increasingly frequent and severe natural disasters*. As one example of the types of weather-related natural disasters being observed in IDA countries, La Niña conditions are currently persisting for the third consecutive year. These conditions are expected to worsen drought and acute food insecurity in the Horn of Africa, and to increase precipitation in Southern Africa, Eastern Pacific, South-East and South Asia, elevating risks of flooding. Multiple requests for CRW resources to support flood responses are currently in process, and demand over the IDA20 cycle is expected to exceed available CRW 'Last Resort" financing.

d. *Support IDA countries' responses to severe disease outbreaks*: Among other health crises, the World Health Organization (WHO) has reported an unprecedented number of cholera outbreaks as drought, flooding, and/or armed conflict force people in multiple countries to be displaced in unsanitary living conditions. The CRW has already provided last resort financing to support Malawi's emergency response to a storm-triggered Cholera outbreak. Requests from other countries may follow. In addition, countries facing severe and high-risk outbreaks of certain viral pathogens can call on the CRW's early response funds to support outbreak response plans, which could further draw down the limited remaining ERF resources.

ii. Special Program for Ukraine and Moldova Recovery (SPUR)

26. **The financing needs of Ukraine and Moldova are significant and growing. SPUR can mobilize additional resources to fill the massive financing gaps.** A substantial amount of assistance has already been provided to Ukraine and Moldova through multilateral and bilateral channels, but the two countries are facing significant and growing financing needs as a result of Russia's invasion of Ukraine. Of the proposed \$6 billion for Ukraine and Moldova, \$5.7 billion will be allocated for Ukraine and \$0.3 billion will be allocated for Moldova.

27. **SPUR will complement other efforts to support Ukraine.** Since the start of Russia's invasion of Ukraine, the WBG and other International Financial Institutions (IFIs), including the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) have mobilized significant support. As noted above, much of the financial assistance has been in the form of grants from bilateral partners, but the scale of support Ukraine currently needs far exceeds available resources. SPUR will complement ongoing efforts by multilateral and bilateral partners, taking further steps to help address the continuing far-reaching social and economic impacts of this crisis.

28. **Through the Steering Committee, the WBG and other partners coordinate support to Ukraine based on their respective comparative advantages, ensuring that there is no overlap.** The Ukraine Multi-agency Donor Coordination Platform's Steering Committee, which was launched with an inauguration meeting in January, was joined by the representatives of the Government of Ukraine, G7 countries, the European Union, the European Commission, and other IFIs. This platform was established to serve as an enhanced coordination mechanism to support Ukraine's immediate financing needs and long-term recovery and reconstruction efforts. As part of the Steering Committee, the World Bank has a unique role to play, given its ability to support the public and social sectors, provide budget support, and assemble bankable projects. By providing financial support, the IFC helps the private sector continue to preserve jobs and generate

revenues. The EBRD, like the IFC, is primarily focused on supporting the real economy and businesses through lending to the private sector, with a focus on energy and food security, trade finance and liquidity support to Small and Medium Enterprises. The EIB provides financial and technical assistance for essential needs and critical infrastructure, though it relies on the government and partners to help design bankable projects.

29. **Once operational, SPUR resources will contribute to reducing the financing gap and scaling up Bank-led initiatives, working in tandem with IBRD and URTF programs.** URTF provides immediate initial financing and programming commitments to relief and recovery projects as quickly as funds are raised. It will also serve as a long-term source of available donor funds for reconstruction and reform. Given the significant long-term reconstruction costs, URTF alone will not be able to meet Ukraine's overall financing needs. Complementing the URTF, SPUR – benefitting from its leveraging potential – will support both recovery and reconstruction, together with the IBRD, which can support loans to state-owned enterprises (SOE), budget support where possible, and other high-priority investments. The summary of World Bank options for channeling donor contributions to provide support to Ukraine and other alternative options considered are presented in Box 1 with further details presented in Annex 3.

30. **As currently envisioned, SPUR will help fill the financing gap in the "framework" operations for Ukraine.** Framework operations provide development partners with a single vehicle to pool and channel urgent prioritized funding to the Ukrainian government in specific (non-military) sectors. These operations will absorb financing as it becomes available, which has so far included URTF grants and IBRD guarantees and could include SPUR resources. Two operations (health and transport) have been approved and an energy operation is under preparation.[23] New framework operations are also being prepared, including housing, agriculture, and social protection.[24] Once there is an adequate macroeconomic framework in place, the World Bank would also be able to offer budget support to support key reforms. [25] World Bank financing to Ukraine during CY23 will be provided through URTF and IBRD facilitated by bilateral guarantees, including the promissory note from Japan's CEF. SPUR financing will start in FY24 to finance these existing and new framework operations. Ukraine's estimated needs for post reconstruction and recovery, reported as of February 24, 2023, are already substantial, amounting to approximately $411 billion. The total financing gap for 2023 reported by the Ukrainian authorities is about $42 billion.

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[23] These framework operations (either approved or under preparation) have secured only part of the financing, leaving unsecured financing of about $1.2 billion as of February 2023.

[24] These projects are expected to be in the range of $500 million.

[25] As of March 31, 2023, the IMF Executive Board approved a new 48-month Extended Fund Facility (EFF) arrangement for an amount of SDR 11.6 billion (about US$15.6 billion). This arrangement is part of an overall support package for Ukraine of US$115 billion .

Box 1. Options to Deploy Additional Donor Resources for Ukraine through World Bank

Looking at existing IBRD and IDA exposure to Ukraine, and the respective room in each balance sheet to absorb additional risk, at this point, the IDA balance sheet, backed by additional donor contributions, provides a prudent and more efficient way to offer additional financing to Ukraine. Various options were considered: (i) provision of grants to be deployed via trust funds; (ii) shareholder bilateral guarantees or capital contribution to support additional IBRD lending on IBRD terms; and (iii) donor contributions to IDA that can be leveraged as IDA lending on IBRD terms. The findings are summarized below. See Annex 3 for detailed discussion.

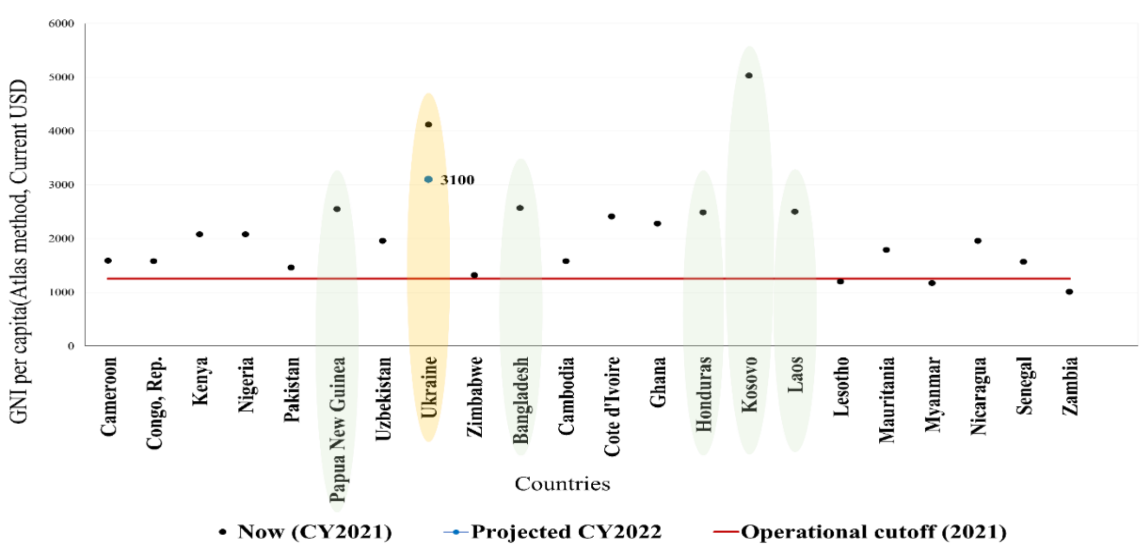
Options	Pros	Cons	Leverage
Trust Funds (e.g., URTF)	• Framework / implementation in place • Provided as grant financing • Can be quickly programmed through new and existing projects	• No leverage	• Every $1 of donor contribution to the URTF makes way for $1 grant financing to Ukraine
IBRD	• Maintains role of IBRD as financier to Ukraine	• No leverage on IBRD B/S (some donors may recognize leverage for themselves through guarantees depending on how they account for these in their books)	
Via Shareholder Guarantee	• Framework / implementation in place • May offer better leverage in domestic budget impact for some donors depending on how they account for guarantees	• If guarantee is from donors rated lower than triple-A, there will be a trade-off with lending headroom for other borrowers	• Every $1 of shareholder guarantee makes way for $1 of IBRD financing to Ukraine • Japan's credit enhancement support through the CEF uses this shareholder guarantee framework
Via Shareholder Contribution	• Depending on route – capital increase process, or as grants recognized as income	• May have implementation complexities if contributions are to be recognized with voting power	• Every $1 of donor contribution to IBRD (whether capital or grant income) makes way for $1 of IBRD financing to Ukraine
IDA	• Can augment new donor contributions and provide up to $3 dollars of financing for Ukraine for every $1 of donor contribution • Assuming no non-accruals, reflows would add to IDA's financial capacity later on	• Financial loss to IDA in case of Ukraine non-accrual, impacting IDA DSC and financing capacity in the future • Risks to IDA Brand	• Every $1 of donor contribution to IDA for use via SPUR makes way for up to $3 of IDA financing for Ukraine

While shareholder guarantees for IBRD exposure will continue to allow expansion of IBRD financing to Ukraine, considering the significant financing gap vis-à-vis Ukraine's financing needs and the leveraging that is critical to help address this gap, steering new donor support through the IDA balance sheet presents an efficient option amongst the avenues available at the World Bank to support Ukraine.

31. **SPUR will support Moldova's pipeline operations, including development policy operations and investment operations for economic and social recovery as well as crisis response.** Several operations are in preparation for Moldova, to support agriculture, education, and mitigating the impact of Russia's invasion of Ukraine on refugees and households. A second DPO in a programmatic series of two is being prepared aiming at mitigating the impact of the war on refugees and households and building resilience and enhance competitiveness to reduce vulnerabilities to future shocks.[26, 27] FY23 investment operations aim to enhance agricultural productivity through green technologies and to improve education quality for vulnerable populations, including refugees from Ukraine. The FY24 pipeline will include both budget support operations and investment projects focusing on the transport sector, energy efficiency and human capital. The World Bank aims to continue lending up to $250 million per year through both investment and budget support operations; additional resources from SPUR will help achieve this goal.

32. **SPUR is consistent with IDA's selective support to countries above the operational cut-off.** Ukraine's per capita income, as measured by the Atlas GNI method, is deteriorating rapidly, and is projected to have declined from $4,120 in 2021 to $3,100 in 2022. While the projected GNI per capita in 2022 is still above the IDA operational cut-off of $1,255, it falls within the range of per capita incomes for non-small states IDA Gap and Blend countries. As shown in Figure 10, IDA provides support to many gap and blend non-Small Island Economies / Small States Economies countries that have income levels similar to that projected for Ukraine. These include, for instance, Kosovo, Bangladesh, Papua New Guinea, Laos, and Honduras. Ukraine's income level is therefore comparable to that of many other countries that are benefiting from IDA.

Figure 10. GNI PC (Atlas Method, $): Ukraine vs. Selected IDA Blend & Gap Borrowers



26 DPO1 ($150 million) was approved in June 2022, a supplemental DPO ($43.8 million) was approved in December 2022, and DPO2 is under preparation and is expected to be approved by the end of June 2023.

27 The DPO series supports measures that help immediate economic recovery while complementing long-term reforms, given Moldova's inherent vulnerabilities associated with its small, landlocked economy and its dependence on food and energy imports.

33. **In highly exceptional circumstances, IDA has provided support to non-IDA eligible countries**. In the wake of the COVID-19 outbreak back in April 2020, IDA made an exceptional case to continue supporting recent IDA graduates, Moldova, and Mongolia, by providing access to CRW to respond to their urgent COVID-19 related needs. For Lebanon and Jordan, IDA provided exceptional IDA18 allocation for projects that directly benefitted Syrian Refugees in 2019. Iraq also received exceptional access to IDA resources in 2003 to help address the economic impact of the disruption that the war brought on the oil industry. Most recently, as part of the World Bank's immediate response to Russia's invasion of Ukraine, both Ukraine and Moldova received exceptional IDA19 support in April 2022. In the same principle, allocations made to Ukraine and Moldova under SPUR build on such previous experience where IDA's capacity had been used to support countries in highly exceptional circumstances.

34. **In line with its commitment to outcome orientation, IDA will closely monitor the results of interventions supported by CRW+ and SPUR to document the impact of the Crisis Facility and inform future programming.** The Crisis Facility will leverage IDA's strong track record of monitoring how IDA inputs and activities help countries deliver tangible results that contribute to high-level development outcomes. Monitoring and reporting on support to IDA countries through CRW+ will follow the structure of IDA20 Result Measurement System (RMS) to allow for capturing the additionality provided by CRW+, while support under SPUR will be monitored by capturing aggregate outcomes of the "framework" operations for Ukraine as well as Moldova pipeline operations.

C. Terms of Proposed IDA Support

35. **The Crisis Facility financing will be offered (i) under CRW+, on the IDA terms for which IDA countries are normally eligible under the CRW, and (ii) under SPUR on regular IBRD terms to Ukraine and Moldova.** As contributions to IDA, new donor resources channeled through the Crisis Facility will provide additional space on IDA's balance sheet to use its hybrid financing model to mobilize additional resources for the program. The ability to blend new donor resources with market debt allows IDA to offer the Crisis Facility financing at the amounts proposed to IDA countries on the IDA terms for which they are eligible under the CRW, and to Ukraine and Moldova on regular IBRD terms.

36. **Financing from CRW+ will be deployed using eligibility criteria and terms of financing based on IDA20's CRW.** Given the higher inherent concessionality of the financing in this program, there is lower notional leverage on this facility of up to 1.5x, versus that of the SPUR. Red- and yellow-light IDA-only countries tend to account for a relatively high share of CRW financing, and they will access financing on their applicable concessional financing terms (majority grants and 50-year credits).

37. **Support through SPUR will be provided with greater flexibility on grace periods and final maturity.** In April 2022, IDA provided exceptional support to Ukraine using a $1 billion increase to IDA19 commitment authority.[28] Enabled by temporary capital capacity (IDA's DSC cushion), this increase was funded by market borrowing, and thus was deployed to Ukraine on short-maturity and non-concessional (IBRD) terms relevant for an average 8-year maturity, with a

[28] "IDA19 Exceptional Support to Ukraine and Moldova", IDA-R2022-0123, April 2022.

maximum 10-year final maturity, aligned with the period when IDA has available capital headroom. The proposed SPUR lending to Ukraine will be enabled by new donor contributions and thus will not have this maturity limitation. Ukraine and Moldova can borrow on standard IBRD terms, with up to a maximum 35-year final maturity and flexibility on the grace period (during which no principal repayment is due), subject to a 20-year average maturity. Such financing terms are not expected to unduly burden the country. On the basis of these lending terms, factors noted below, and additional donor contributions, SPUR financing enabled for Ukraine can be up to three times the level of new donor contributions.

38. **IDA total exposure to Ukraine (combining SPUR and the earlier $1 billion financing approved in April 2022) will be subject to a cap of $7 billion.** This calibrates the total exposure of IDA to Ukraine to not exceed the uncovered exposure on the IBRD's balance sheet. Maximum exposure of $7 billion is also below IDA's top 8 exposures. Such cap on IDA's exposure to Ukraine also implicitly caps the amount of donor contributions that will be accepted for SPUR.

D. Donor Contribution Arrangements

39. **The proposed structure provides flexibility and options to donors to contribute in a way that best suits their needs.** Donors can make their contributions directly to the Crisis Facility with the ability to specify which program they support, or, if preferred, through a Special Transfer Fund (a Trust Fund).

a. Donors can contribute directly to the Crisis Facility, in the form similar to member donors' usual contributions to IDA, including through Concessional Partner Loans (CPLs).

b. For donors who prefer to make their contribution to a trust fund rather than directly to IDA, the Special Transfer Fund will be set up. The Special Transfer Fund will be governed by a bespoke Fund contribution agreement that will confer all economic benefits and control of the use of funds to IDA. Resources from the Special Transfer Fund will be transferred according to the Fund contribution agreement to the relevant programs (CRW+, SPUR, or both). Waivers will be sought to accommodate the bespoke nature of this Special Transfer Fund, including waivers from typical trust fund cost recovery fees. This Special Transfer Fund will not incur any fees, as it will be solely a vehicle for pass-through contributions. Contributions to the Special Transfer Fund can only be made in cash or promissory notes.

c. The Board of Governors' (BoG) resolution governing the Crisis Facility will recognize contributions that come through direct contributions as well as through the Special Transfer Fund.

d. Contributions to the Crisis Facility are being sought on a fully voluntary basis akin to previous experience, including for instance with the Special Assistance Facility for Sub-Saharan Africa (1985). No burden sharing arrangements will be applied.

e. No voting rights will be allocated for these voluntary contributions whether made through the Special Transfer Fund or directly to the Crisis Facility, whether in respect of both or either program.

40. **Donors can also support IDA countries by providing additional contributions directly to IDA20.** Such contributions are allowed by the IDA20 resolution and will follow the contribution procedures established in the IDA20 resolution, including allocation of corresponding voting rights.

41. **Ensuring an equitable distribution of resources between the two programs is critical.** The Crisis Facility provides two dedicated programs and advocates for reasonable balance – whether in terms of donor contributions coming in, or in terms of financing enabled going out - between the two. With the leverage ratios between the two programs differing on account of different concessionality of financing terms and different underlying credit risks, a lot of this balance will depend on the level of donor contributions raised for each facility. A large imbalance in contributions or size of the facilities needs to be avoided.

42. **The pledging process for both programs of the Crisis Facility has already been launched in April 2023, with 6 countries having announced their pledges to date.** The pledging will be kept open, recognizing that donors may require additional time to determine pledges to CRW+ in line with national budget cycles. The final size of the Crisis Facility and its two programs will be announced at the time of IDA20 MTR once all pledges have been received.[29]

ii. Contribution Encashment Schedules

43. **Contributions to the Crisis Facility – whether direct to the programs or through the Special Transfer Fund - will be paid in cash in two installments in FY24 and FY25.** A two-year payment schedule on the Crisis Facility contribution is proposed to protect IDA from the potential additional credit and other risks from financing provided from the Crisis Facility. Additional lending provided by IDA through the Crisis Facility should not adversely affect IDA's capacity to provide regular financial assistance to its clients, neither currently nor in the future. The additional donor contributions to the Crisis Facility will be used to fund part of the new commitments and more importantly, they will serve to timely buttress IDA's risk capital to cover any potential losses from exposures of the Crisis Facility. Given the complicated situation in Ukraine, there is great uncertainty on the evolution of the borrowers' risk profile. A two-year payment schedule will enable IDA to become fully capitalized in a timely manner to prudently support the Crisis Facility. Due to the nature of the crisis financing, it is expected that the additional lending from the Crisis Facility will be disbursed faster than the regular IDA financing. With all contributions to the Crisis Facility paid before the end of FY25, IDA would have all the resources available to support the new commitments within the same period (FY24-25) and avoid the situation of using its own equity to cover the additional risks and potential losses of the Crisis Facility because of slow payments from the additional contributions.

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[29] While financing from the Crisis Facility would be authorized upon adoption of the BoG Resolution, the final and maximum commitment authority of Crisis Facility will be determined after IDA receives all the pledges and implements the FX hedges against the additional contributions.

ii. CPL Framework

44. **Direct contributions to the Crisis Facility will be accepted in contributions or CPL form.** The terms for the CPLs for the Crisis Facility and its two programs will be the same as the terms established in the IDA20 CPL framework and as agreed to from time to time, though excluding the requirement for accompanying basic grant contributions. Aside from providing flexibility as an additional mode of donor contributions, CPLs also represent an effective way to leverage IDA's balance sheet. CPLs provide IDA interest-rate risk reduction benefits from being low cost, fixed-rate, long-term funding to IDA, providing powerful balance sheet optimization effect. Capital released from not needing to hold as much set-aside for interest rate risks would contribute toward the fundraising target, along with the traditional grant element from the CPLs. For example, $1 billion 50-year CPL at 1 percent coupon could provide $0.4-$0.5 billion improvement in IDA FY34 DSC; $1 billion the 50-year CPL with zero percent coupon would provide the improvement of FY34 DSC of $0.5-$0.6 billion.

iii. Reference Exchange Rates

45. **Total amount of pledges and the size of the Crisis Facility and its two programs will be calculated and reported using reference exchange rates.** In line with the procedure used for regular replenishments, it is proposed to use a 6-month period from September 15, 2022, to March 15, 2023, as the reference exchange rate to determine the foreign exchange rates to calculate the donor pledges and the volume of the envelop for each program in a single currency term (USD or SDR). The reference exchange rates corresponding with the proposed period are provided in Annex 4.

V. FINANCIAL IMPLICATIONS

46. **The proposed size of the Crisis Facility of $12 billion (of which $6 billion for CRW+ and $6 billion for SPUR) and the corresponding level of donor contributions (of $4 billion for CRW+ and $2 billion for SPUR) are designed to avoid a negative impact on IDA's financing capacity in the medium to long term.** With additional $6 billion donor contributions received for the Crisis Facility, IDA's DSC would not be significantly impacted as shown in Figure 3 below. Figure 3 compares IDA's DSC trajectory from FY23 to FY34 (i) as estimated during IDA20 discussions (October 2021), (ii) at the Update provided during Annual Meetings 2022 in October, and (iii) incorporating Crisis Facility. These projections assume that financing provided by IDA under the Crisis Facility are fully repaid according to schedule.[30]

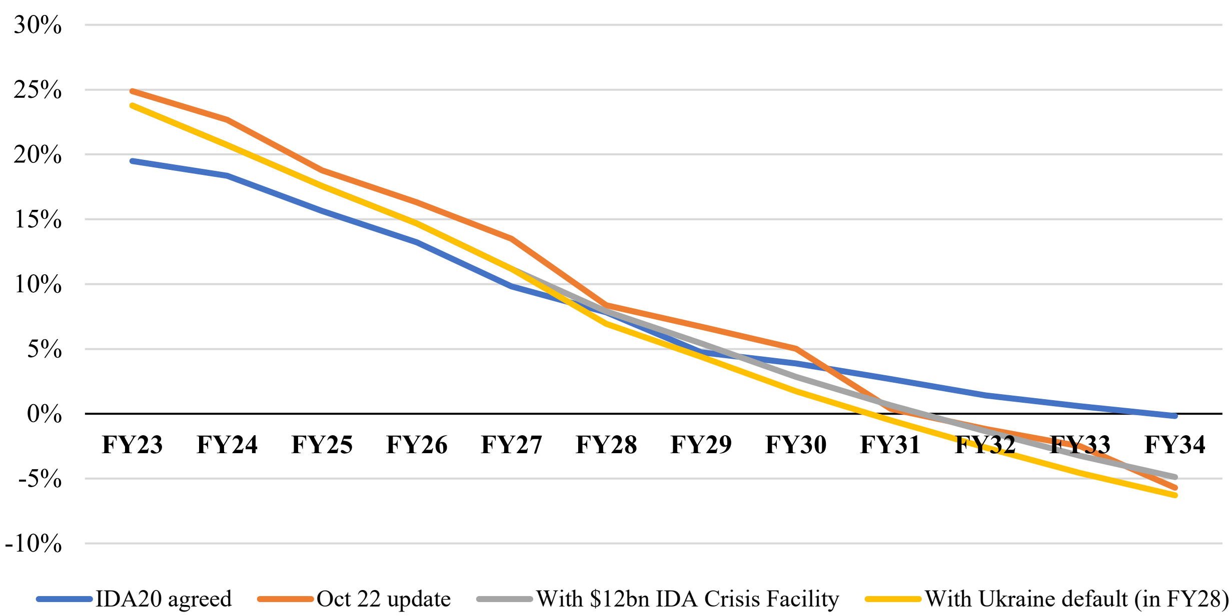
47. **In the event of a default by Ukraine, there would be an impact on IDA's financial capacity and availability of financing for IDA clients in future replenishments.** For example, based on current assumptions on disbursement speed and applicable repayment terms of the Ukraine financing, $7 billion IDA commitments for Ukraine – calculated as the existing

[30] According to IDA's risk management framework, if the DSC ratio falls below zero, Management will immediately notify the Board. After three months of the date on which DSC falls below zero, in the absence of Board approval of continued lending or the recovery of DSC above zero, no new lending or other financing will be approved.

$1 billion IDA financing (April 2022 approval) plus the target size of $6 billion SPUR financing - may result in a net exposure (outstanding exposure net of repayments) for IDA of $5 billion. A non-accrual on $5 billion exposure would mean a 1.5 percent decrease in IDA's FY34 DSC, which would reduce the volume of IDA21-23 by $1.7 billion per replenishment. This implication is also reflected as a fourth line in Figure 3.

48. **Ukraine has been meeting their debt repayment obligations to the World Bank despite the calamities that Ukraine has been experiencing.** Default on its obligations to IDA will trigger a cross default provision, resulting in loss of access to financing from both IBRD and IDA for Ukraine at the time when it needs resources the most. The World Bank will continue to closely monitor Ukraine's debt sustainability situation, its repayment capability, and any approaching payment risk.

Figure 11. IDA DSC Projection (percentage)



49. **Overall, considering risks and benefits, the proposed IDA Crisis Facility will enable the Bank to scale up support to IDA countries struggling to deal with the multiple crises and maximize the volume of financing for Ukraine, in a timely and sound manner.** The Crisis Facility will complement ongoing efforts by multilateral and bilateral partners, taking further steps to help address the continuing far-reaching social and economic impacts of this crisis. This will be done adhering to the core principles of maintaining IDA20 resources for the benefit of IDA countries and protecting IDA's triple-A rating and long-term financial sustainability.

VI. NEXT STEPS

50. Following consultations on April 18, 2023 for establishing the Crisis Facility, Participants propose that the Executive Directors recommend to the Board of Governors the adoption of the draft Resolution attached in Annex 5.

Annex 1. Financing Assistance to Ukraine

Table A1. 1. Breakdown of Financial Assistance Mobilized by WBG to Ukraine

Breakdown	Amount ($ m)
World Bank	
Current WB support to-date sub-total	$23,561
WB Support under preparation sub-total	$744
Total WB	$24,305
IFC	
Current IFC support sub-total	$353
IFC Support under preparation sub-total	$1,647
Total IFC	$2,000
TOTAL WBG	**$26,305**

Note: World Bank updated as of April 7, 2023. IFC updated as of April 12, 2023. A large proportion of the financial assistance was in the form of grants from bilateral partners.

Table A1. 2. Ukraine Financial Assistance from International Finance Institutions

Institutions	Amount ($ m)
World Bank Group (WBG)	$26,304
European Commission (EC)	$28,335
European Bank of Reconstruction and Development (EBRD)	$3,193
European Investment Bank (EIB)	$3,014
International Monetary Fund (IMF)	$2,693
Grand Total	**$63,540**

Note: WBG updated as of April 7, 2023; EC, IMF, EIB and EBRD data updated as of February 24, 2023. Includes bilateral financing channeled through IFIs, Loans, Guarantees and Grants to the Government of Ukraine and Private Sector (excluding humanitarian, military, in-kind or other support)

Table A1. 3. Donor Contributions to World Bank support to Ukraine

Funding Donors	Total ($ m)
United States	$18,000
United Kingdom	$2,042
Japan	$1,071
Netherlands	$200
Norway	$321
Spain	$154
Switzerland	$68
Sweden	$64
Canada	$84
Germany	$92
Denmark	$52
Austria	$32
Finland	$35
Ireland	$21
Lithuania	$21
Latvia	$16
Iceland	$5
Belgium	$3
Grand Total	**$22,279**

Note: Updated as of April 7, 2023.

Annex 2. IDA20 CRW Allocations to Date

COUNTRY		REGION	FCS?	CRISIS TYPE	AMOUNT USD, Millions
EARLY RESPONSE FINANCING					
1	Comoros	Africa – East/South	FCS	Food Insecurity	25
2	Ethiopia	Africa – East/South	FCS	Food Insecurity	50
3	Madagascar	Africa – East/South	Non-FCS	Food Insecurity	50
4	Malawi	Africa – East/South	Non-FCS	Food Insecurity	50
5	Mozambique	Africa – East/South	FCS	Food Insecurity	50
6	Somalia	Africa – East/South	FCS	Food Insecurity	50
7	South Sudan	Africa – East/South	FCS	Food Insecurity	50
8	Cabo Verde	Africa – West/Central	Non-FCS	Food Insecurity	15
9	Chad	Africa – West/Central	FCS	Food Insecurity	50
10	Liberia	Africa – West/Central	Non-FCS	Food Insecurity	50
11	Sierra Leone	Africa – West/Central	Non-FCS	Food Insecurity	50
12	Central African Republic	Africa – West/Central	FCS	Food Insecurity	50
13	Congo Republic	Africa – West/Central	FCS	Food Insecurity	50
14	Tajikistan	Europe & Central Asia	Non-FCS	Food Insecurity	50
15	Djibouti	Middle East and North Africa	Non-FCS	Food Insecurity	20
16	Yemen	Middle East and North Africa	FCS	Food Insecurity	50
17	Dominica	Latin America & Caribbean	Non-FCS	Food Insecurity	8
18	Grenada	Latin America & Caribbean	Non-FCS	Food Insecurity	10
19	Haiti	Latin America & Caribbean	FCS	Food Insecurity	50
20	Honduras	Latin America & Caribbean	Non-FCS	Food Insecurity	50
21	St. Lucia	Latin America & Caribbean	Non-FCS	Food Insecurity	10
22	St. Vincent and Grenadines	Latin America & Caribbean	Non-FCS	Food Insecurity	10
				TOTAL, ERF	**848**
LAST RESORT FINANCING					
23	Pakistan	South Asia	Non-FCS	Natural Disaster	350
24	Malawi	Africa – East/South	Non-FCS	Natural Disaster	75
25	South Sudan	Africa – East/South	FCS	Natural Disaster	100
26	Mozambique	Africa East/South	FCS	Natural Disaster	300
27	Ethiopia	Africa East/South	FCS	Natural Disaster	200
28	Yemen	Middle East and North Africa	FCS	Natural Disaster	150
				TOTAL, LAST RESORT	**1,175**

Annex 3. Options to Deploy Additional Donor Resources for Ukraine Through World Bank

1. **Amongst options to deploy support for Ukraine through the World Bank, SPUR, channeled through IDA, is able to provide more value for money and stretch the reach of contributions provided.** Within the World Bank, in addition to SPUR, donors have a choice to support Ukraine through URTF and IBRD as described below.

a. URTF: Donors can provide their grant resources to URTF which provides resources for Ukraine's direct use dollar for dollar, as grant financing. Grant financing plays a particular role in the World Bank's portfolio of support for Ukraine's relief, recovery and reconstruction, and this is the crucial role that the URTF, as the dedicated umbrella TF program for Ukraine, plays.

b. IBRD: In view of IBRD's already significant exposure to Ukraine, additional financing from IBRD supported by donor contributions or shareholder guarantees could only be provided with full 1:1 coverage of additional Ukraine risk, and thus would not provide any leveraging; and

c. SPUR: SPUR will multiply the reach of new donor support through the leveraging still possible through IDA's balance sheet. Contributions to SPUR will also strengthen IDA's financial position in the longer-term through retaining reflows from Ukraine and Moldova, assuming no non-accrual events.

2. **IBRD's already high exposure to Ukraine prevents further expanding IBRD's lending without corresponding coverage through donor guarantees.** Ukraine exposure close to 13 percent of IBRD's usable equity as of end-December 2022 means that a non-accrual event by Ukraine would correspond to impairment of 13 percent of IBRD's equity. If this were to happen, it could put pressure on IBRD's triple-A credit rating – downgrading, for instance, IBRD's RAC ratio under the S&P methodology from "extremely strong" to "very strong' - and in turn impact IBRD's ability to cost-efficiently raise financing to support lending to all of its clients.

3. **Since the outbreak of the war, all new IBRD lending to Ukraine has been fully backed by shareholder guarantees.** As of end-December 2022, shareholders and the EIB have provided guarantees amounting to $2.2 billion. Such guarantees provided risk cover of 1:1 thereby reducing IBRD gross Ukraine exposure as of end-December 2022 of $8.8 billion to $6.6 billion of IBRD's net unguaranteed Ukraine. Such 1:1 risk coverage can be generated by guarantees provided by triple-A rated shareholders only. Per the current Bilateral Guarantee Framework, guarantees from non-triple-A rated members utilizes IBRD's lending headroom available for other borrowers as it does not provide 100 percent elimination of credit risk for IBRD, relative to a triple-A member guarantee.

4. **The Shareholder bilateral instrument, launched in 2016, currently has a Management approved limit of an aggregate of $10 billion of exposure.** Current usage of the instrument is

about $3 billion,[37] with more than $2 billion being provided by UK as the guarantor. Eight other shareholders[38] have provided guarantees ranging from about $10 million to $200 million. Bilateral shareholder guarantees for Ukraine till date total about $1.8 billion, the bulk of which has been provided by UK under the PEACE program. Management continues to explore further opportunities with interested shareholders to provide support to Ukraine under this instrument.

5. **One of these opportunities is Japan's Credit Enhancement Facility that provides support to Ukraine through IBRD.** The proposed Credit Enhancement Facility (CEF) mechanism with Japan[39] would provide additional guarantees up to $5 billion. As currently designed, promissory notes channeled through a trust fund guaranteeing Ukraine exposure would need to conform to all the terms under the IBRD's bilateral guarantee instrument. Given Japan's current sovereign credit ratings, this credit enhancement would enable further IBRD financing to Ukraine at a 1:1 leverage, but would not provide an increase in overall IBRD financing capacity. A similar approach could be used for other donors that do not have a tool to provide guarantees under their current legal systems, to provide indirect guarantees.[40]

6. **New contributions for Ukraine through IBRD would likewise only provide $1 of Ukraine lending for every $1 of donor contribution.** Such contribution can be provided through either the capital increase process, which would have voting power implications; or through grants recognized as income with no allocation of shares.[41] For the aforementioned reason of already high existing IBRD exposure to Ukraine and the corresponding need to ensure full coverage of additional exposure, new donor contributions channeled through IBRD to support Ukraine through either route would likewise only be able to increase lending to Ukraine by $1 for every $1 of additional donor contribution.

7. Finally, opening more headroom for Ukraine through IBRD is technically possible through opportunities for risk transfer, for instance through Exposure Exchange Agreements or purchasing bespoke credit protection. However, this is complicated by the fluid nature of Ukraine risk which makes finding equivalent portfolios to swap with technically difficult, and bespoke solutions from appropriately rated market counterparts too expensive.

8. **In comparison, IDA has limited exposure to Ukraine.** The recent $1 billion IDA lending to Ukraine accounts for about 0.6 percent of IDA's equity as of end-December 2022, 0.3 percent

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[37] Multilateral guarantees such as from EIB and those under EEA are not subject to this limit. This does not include the $1 billion of UK proposed guarantee for India.

[38] These include Canada, Denmark, Latvia, Lithuania, Netherlands, Saudi Arabia, Spain and Sweden

[39] The approval process for the specific mechanism by the National Diet was completed on April 7, 2023

[40] Promissory notes will be issued by the Government of Japan from April 2023 to March 2024.

[41] Another idea – whereby donor funds and IDA resources would be blended in a trust fund – was also offered to support Ukraine. Japan proposed creating a trust fund that would blend donor grants with non-concessional loans (Blending TF). This Blending TF would combine IDA funds, specifically funds raised by IDA in the capital markets, with grants from donors. The Blending TF resources are then lent to Ukraine as loans. Ukraine makes its loan payments to the Blending TF, which then passes them on to IDA for its use as payment for the funds it borrowed from capital markets. On account of governance, financial efficiency, and implementation issues, this proposal would be problematic. Per existing policies, IDA is not permitted to provide financing to Trust Funds, nor are Trust funds allowed to receive loans. The Blending TF would create an additional layer of complexity and risks which would need to be capitalized for. Also, the Blending TF will not enjoy the Preferred Creditor Status that IDA enjoys as the creditor to Ukraine.

if considering only amounts disbursed. There is still room to prudently leverage new donor contributions to SPUR by up to 3 times to help stretch the reach of scarce resources. In addition, assuming no non-accrual events, reflows from Ukraine and Moldova, will benefit IDA countries by strengthening IDA's financial capacity in the longer term.

Annex 4. Foreign Exchange Reference Rates for the Crisis Facility

Table A4. 1. CF Reference Exchange Rate
(Daily average from September 15, 2022 to March 15, 2023)

Currency	Currency abbreviation	Average rate vs. SDR	Average rate vs. USD
Australian Dollars	AUD	1.96744	1.49557
Barbados Dollars	BBD	2.65773	2.01910
Brazilian Real	BRL	6.88537	5.23144
Canadian Dollars	CAD	1.78158	1.35362
Swiss Francs	CHF	1.24973	0.94999
Chilean Pesos	CLP	1151.13594	875.61029
Chinese Yuan	CNY	9.20806	6.99836
Czech Koruna	CZK	30.68414	23.33377
Danish Kroner	DKK	9.44266	7.17906
Euro	EUR	1.26923	0.96497
Pounds Sterling	GBP	1.11289	0.84605
Hungarian Forints	HUF	509.68188	387.66721
Indonesian Rupiah	IDR	20239.81429	15377.70988
Israeli New Sheqalim	ILS	4.61185	3.50410
Indian Rupees	INR	107.99250	82.04100
Iceland Kronur	ISK	188.25555	143.03381
Japanese Yen	JPY	181.43515	137.95887
Korean Won	KRW	1746.41325	1328.07316
Kuwaiti Dinars	KWD	0.40483	0.30759
Kazakhstan Tenge	KZT	609.71604	463.32466
Mexican Peso	MXN	25.43445	19.33157
Malaysian Ringgits	MYR	5.90897	4.49177
Norwegian Kroner	NOK	13.43694	10.21226
New Zealand Dollars	NZD	2.15074	1.63534
Peruvian Soles Nuevos	PEN	5.08739	3.86598
Philippine Pesos	PHP	74.18402	56.38962
Polish Zloty	PLN	5.99853	4.56117
Special Drawing Rights	SDR	1.00000	0.76000
Swedish Kronor	SEK	14.00786	10.64786
Singapore Dollars	SGD	1.80033	1.36849
Thai Baht	THB	46.61759	35.44915
United States Dollars	USD	1.31630	1.00000
South African Rand	ZAR	23.23855	17.65948

Annex 5. DRAFT IDA Crisis Facility Board of Governors Resolution

Board of Governors

Additions to Resources – IDA Crisis Facility

WHEREAS:

(A) The members of the International Development Association (the "Association") have recognized the urgent need to support Ukraine and Moldova and other members of the Association severely impacted by the devastating economic and social consequences caused by the fallout of Russia's invasion of Ukraine;

(B) In recognition of the strong demand for additional resources to respond to this critical situation, as well as to additional severe and slow-onset crises, including food insecurity accelerated by Russia's invasion of Ukraine, the Executive Directors of the Association have considered a crisis response financing package and have concluded that it is desirable to authorize that the Association be provided with additional resources for the period from July 1, 2023 to June 30, 2025 on the basis set out in the paper "IDA's Crisis Facility", approved by the Executive Directors on May 18, 2023 (the "Paper"), and submitted to the Board of Governors;

(C) The members of the Association agree to make special contributions to finance the "Special Program for Ukraine and Moldova Recovery" (the "SPUR") and the "Crisis Response Window Plus" (the "CRW+") both under the IDA Crisis Facility, and, therefore, intend to take all necessary governmental and legislative action to authorize and approve the allocation of additional resources to the Association on the conditions set out in this Resolution;

(D) The members of the Association have expressed their intention, subject to any necessary legislative authorization, to make available additional resources to the Association, either directly to the Association's general resources or through a contribution to the Special Transfer Fund as may be established (the "Special Transfer Fund");

(E) Consequently, additional contributions are to be authorized for members to provide additional contributions (i) directly to the Association's general resources, or (ii) through the Special Transfer Fund, and, in accordance with the provisions of Article VI, Section 3(a) of the Articles of Agreement of the Association, such contributions shall not be regarded as additional subscriptions carrying voting rights;

(F) The special contributions hereby authorized are separate from the additional resources authorized under Resolution No. 248, thus keeping the financing envelope of the "Twentieth

Replenishment" of the Association intact and for use in accordance with the terms of said Resolution No. 248;

(G) The Executive Directors of the Association have authorized the borrowing of concessional loans from members (each a "Concessional Partner Loan") ("CPL") in the currencies and on the terms and conditions as approved by the Executive Directors from time to time and it is intended that the grant element of the CPLs will form part of the member's contributions hereunder;

(H) It is desirable to authorize the Association to provide financing under the IDA Crisis Facility in the form of grants, loans and guarantees; and

NOW THEREFORE THE BOARD OF GOVERNORS HEREBY ACCEPTS the Paper as approved by the Executive Directors, **NOTES** its conclusions and recommendations, **AND RESOLVES THAT** a general increase in contributions not carrying voting rights of the Association is authorized on the following terms and conditions:

1. <u>Authorization of additional contributions under the IDA Crisis Facility</u>.

(a) The Association is authorized to accept additional resources from any member. The amounts and the currencies of the additional resources authorized in this Resolution are to be specified with respect to each contributing member.

(i) As part of the resources described in paragraph 1(a) above, the Association is authorized to accept additional contributions pursuant to the terms and conditions established in the Special Transfer Fund.

(ii) As part of the resources described in paragraph 1(a) above, the Association is authorized to accept additional contributions from members reflecting the grant element of a CPL.

(b) The rights and obligations of the Association and the members that make available additional resources to the Association pursuant to paragraph 3(a) below in respect of the additional contributions in paragraph (a) above will be the same (except as otherwise provided in this Resolution) as those applicable to the ninety percent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part I of Schedule A of the Articles.

2. <u>Agreement to Pay</u>.

(a) When a member agrees to pay its contribution, it will deposit with the Association an Instrument of Commitment substantially in the form set out in Attachment I to this Resolution ("Instrument of Commitment") and with respect to:

(i) a contribution through the Special Transfer Fund, a member will enter into a Contribution Agreement (as defined in paragraph 7 of this Resolution) with the Association as administrator of the Special Transfer Fund; and

(ii) a CPL, a member will enter into written agreement(s) in such form as may be acceptable to the Association.

(b) When a member agrees to pay the first part of its contribution without qualification and the other part is subject to enactment by its legislature of the necessary appropriation legislation, it will deposit (other than in respect of the grant element of a CPL) a qualified Instrument of Commitment in a form acceptable to the Association ("Qualified Instrument of Commitment") and such member:

(i) undertakes to exercise its best efforts to obtain legislative approval for the full amount of its contribution by the payment dates set out in paragraph 3(a) of this Resolution; and

(ii) agrees that, upon obtaining such approvals, it will notify the Association that any parts of its Qualified Instrument of Commitment have become unqualified.

3. **<u>Payment Timeline</u>**.

(a) A member that agrees to contribute to an amount and that deposits an Instrument of Commitment that is not a Qualified Instrument of Commitment, will pay to the Association the amount of its contribution in two equal annual installments on April 15, 2024 and April 15, 2025, or as agreed with the Association; provided that:

(i) the Association and each member may agree to earlier payment;

(ii) the Association may agree to the postponement of any installment, or part thereof, if the amount paid, together with any unused balance of previous payments by the member concerned, is at least equal to the amount estimated by the Association to be required from that member up to the due date of the next installment; and

(iii) if any member deposits an Instrument of Commitment with the Association after the date when the first installment of the contribution is due, payment of any installment, or part thereof, will be made to the Association within 31 days after the date of such deposit.

(b) Each member that makes a contribution through the grant element of a CPL will pay to the Association the amount of the loan in two equal annual installments on April 15, 2024 and April 15, 2025, or as agreed with the Association.

4. **<u>Mode of Payment</u>**.

(a) Payments pursuant to this Resolution will be made at the option of the member:

(i) in cash, on terms agreed between the member and the Association; or

(ii) by deposit of notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand to the account of the Association.

(b) The Association will encash notes or similar obligations of the contributing members on an approximately pro rata basis among such members and as agreed between a member and the Association.

(c) The provisions of Article IV, Section 1(a) of the Articles will apply to the use of a member's currency paid to the Association pursuant to this Resolution as may be applicable.

5. **<u>Currency of Denomination of Payments</u>**.

(a) Contributing members will denominate the resources to be made available pursuant to this Resolution in the currency of the member if freely convertible, or, with the agreement of the Association, in a freely convertible currency of another member.

(b) Contributing members will make payments pursuant to this Resolution in a currency used for the valuation of the SDR, or, with the agreement of the Association, in another freely convertible currency, and the Association may freely exchange the amounts received as required for its operations.

(c) Each member will maintain, in respect of its currency paid by it under this Resolution, and the currency of such member derived therefrom as principal, interest or other charges, the same convertibility as existed on the effective date of this Resolution.

(d) The provisions of Article IV, Section 2 of the Articles with respect to maintenance of value will not be applicable.

(e) Notwithstanding the foregoing provisions of this paragraph, a member that makes a contribution through the grant element of a CPL will denominate and make payment of such CPL in any currencies approved by the Executive Directors and as defined in their respective loan agreements.

6. **<u>Authority to Use Contribution</u>.**

(a) Contributions will become available for use by the Association for financing to eligible recipients upon receipt of the Instruments of Commitment and Contribution Agreements or execution of a CPL.

(b) Any qualified part of a contribution notified under a Qualified Instrument of Commitment will become available for use by the Association for financing when the Association has been notified, pursuant to paragraph 2(b) (ii) of this Resolution, that such parts have become unqualified.

(c) The Association may enter into financing commitments with eligible recipients conditional on such commitments becoming effective and binding on the Association when resources under the terms of this Resolution become available for commitment by the Association.

7. Special Transfer Fund Contributions.

Contributing members making an additional contribution through the Special Transfer Fund (the "Special Transfer Fund Contribution") will enter into a Contribution Agreement with the Association as administrator of the Special Transfer Fund (the "Contribution Agreement"). The Contribution Agreement shall provide for an additional contribution to be payable in two equal annual installments on April 15, 2024 and April 15, 2025; provided that the Association and each member may agree to earlier payment.

8. Authorization of Loans, Grants and Guarantees.

The Association is hereby authorized to provide financing under this Resolution in the form of loans, grants and guarantees.

9. Treatment of additional contributions

In the event any contributing member ceases to be a member or the Association permanently suspends its operations, the additional resources contributed or to be contributed pursuant to this Resolution shall be treated for the purposes of Article VII, Sections 4 and 5, of the Articles of Agreement in the same manner as though they were subscriptions, and disposition thereof shall be made in the manner provided in those sections for the disposition of subscriptions as therein defined.

Attachment I

INTERNATIONAL DEVELOPMENT ASSOCIATION

Additions to Resources – IDA Crisis Facility

Instrument of Commitment

Reference is made to Resolution No. ____ of the Board of Governors of the International Development Association entitled "Additions to Resources – IDA Crisis Facility", which was adopted on __________, 2023 ("the Resolution").

The Government of _________________________ HEREBY NOTIFIES the Association pursuant to paragraph 2 of the Resolution that it will make the contributions[1] authorized for it in accordance with the terms of the Resolution in the amount of ______________.[2] [3]

____________________ (Date)

__________________________________ (Name and Office) [4]

[1 This form of Instrument of Commitment may be used for a member's regular contribution under the IDA Crisis Facility.]

2 Pursuant to paragraph 5(a) of the CF Resolution, members are required to denominate their contribution, in the currency of the member if freely convertible, or with the agreement of the Association in a freely convertible currency of another member. Payment will be made as provided in paragraph 5(b) of the Resolution.

3 [In addition to this amount, the member will contribute ________ which represents the grant element of the Concessional Partner Loan (only applicable for CPL contributions).]

4 The instrument is to be signed on behalf of the Government by a duly authorized representative.