

# IDA21 First Replenishment Meeting Co-Chair's Summary

Virtual, March 18 to 19, 2024

## A. Introduction

1. **IDA Deputies and Borrower Representatives (Participants) met virtually on March 18 and 19, 2024 for the first meeting of the International Development Association's Twenty First Replenishment (IDA21).** They discussed IDA21's strategic direction, including how IDA can best support countries and people in need. They also discussed a high-level overview of IDA's financial outlook and options to strengthen its medium- to long-term financial capacity.

2. **The replenishment is co-chaired by the World Bank's Senior Managing Director and the Independent Co-chair appointed in December 2023.** The Co-chairs opened the meeting, emphasizing the critical importance of IDA as a platform where remarkable things have been achieved, and the need for all parties to work hard together for the success of the IDA21 replenishment. The **World Bank's Managing Director of Operations** addressed the Participants, placing the replenishment in the context of the immense needs and demand for IDA support, and the World Bank Group Evolution's emphasis on delivering with greater speed, scale, and impact. The **International Finance Corporation (IFC) Managing Director and Executive Vice President and the Multilateral Investment Guarantee Agency (MIGA) Executive Vice President** also addressed the meeting, discussing the critical role of the private sector as a key engine for jobs, the impact of the IDA Private Sector Window and need for its increase, and the importance of delivering as One World Bank Group (WBG) to end poverty on a livable planet.

## B. IDA21 Proposed Strategic Directions

3. **World Bank Vice Presidents for Development Finance, and for Operations Policy and Country Services** delivered a brief presentation on IDA21 Strategic Directions, outlining the proposed IDA21 policy framework architecture. The presentation highlighted feedback received from IDA Participants during initial discussions held at the IDA20 Mid-Term Review in Zanzibar, through non-papers from Borrower Representatives and donors, and bilateral meetings. Management presented a proposed IDA21 overarching theme of "*Ending Poverty on a Livable Planet: Acting with Urgency and Ambition*", and a proposed policy framework encompassing five focus areas: *People, Planet, Prosperity, Digitalization, and Infrastructure*, and four lenses: *Gender Equality and Youth Inclusion, More and Better Jobs, Better Lives for People in Fragility, Conflict and Violence (FCV) and More Private Investments*. The presentation discussed how the proposed framework would ensure continuity of IDA20 policy priorities and align with Evolution reforms. The presentation discussed how reporting IDA21 results through the new World Bank Group (WBG) Scorecard will enhance outcome-orientation, enable comparison of expected and actual results, and enhance transparency by offering greater disaggregation of data. The presentation also outlined the role envisioned for policy commitments in IDA21, which should have a clear delta and additionality to outcomes captured in the Scorecard.

### i. IDA21 Overarching Theme

4. In discussing the overarching theme proposed for IDA21, Participants expressed broad consensus regarding the challenges IDA countries face, as well as the need for urgency and ambition, including in maximizing impact. Borrower Representatives, in their Joint Statement, emphasized the impact of the polycrisis on the poor and most vulnerable, the high level of development needs and the critical importance of IDA21 in helping countries get back on track to achieving the Sustainable Development Goals.

5. Participants agreed with the importance of capturing “*acting with urgency and ambition*”. Several Participants called for making a reference to “extreme poverty” and adding language on “maximizing impact”. Some also asked for emphasis on addressing inequality and effectiveness of IDA resources. Management observed that the overarching theme should be succinct and noted that it may seem inconsistent to emphasize both a focus on extreme poverty and a focus on inequality. Management further clarified that thematic papers prepared for the June 2024 meeting of the IDA21 replenishment will highlight the focus on extreme poverty and shared prosperity in narrative descriptions of the overarching theme. To capture other feedback from Participants, the overarching theme will be revised to read “***Ending Poverty on a Livable Planet: Delivering Impact with Urgency and Ambition***”.

### ii. IDA21 Policy Framework and Priorities (Focus Areas and Lenses)

6. Participants welcomed the effort to balance continuity of IDA20 policy priorities and alignment with the WBG Evolution reforms, and responsiveness to client needs. Participants appreciated the proposed policy framework’s alignment with the five verticals and the four cross-cutting themes of the WBG Corporate Scorecard; however, many Participants emphasized that some variation from this structure may be warranted to better reflect priorities for IDA countries. Participants proposed variations suggesting, for example, to reflect Jobs and Economic Transformation (JET), and Fragility, Conflict and Violence (FCV) as focus areas rather than covering these topics through lenses, but some preferred to retain FCV as a lens. Some suggested combining Infrastructure and Digitalization into one focus area, while others appreciated the separate focus. Some Participants suggested categorizing Prosperity as a lens rather than a focus area. Many Participants suggested that Gender should be reflected as a stand-alone lens. Borrower representatives, in their Joint Statement, stressed the importance of prioritizing JET, and continue to support women economic empowerment and private sector investment.

7. Participants asked Management to clarify the distinction between focus areas and lenses, and the implications of the distinction, if any, for financing. Management explained that both focus areas and lenses are instrumental in achieving the proposed IDA21 strategic priorities, and there is no hierarchy between the two categories. Lenses will bring increased attention to issues where IDA needs to do more and better, in a systematic and cross-cutting manner across focus areas. For example, the design of an intervention to support investments in human development could use the lenses to take gender considerations into account and assess how the operation will contribute to the jobs agenda. Operations will also be able to focus efforts solely within a lens area. On

balance, most operations will tackle issues represented in one or more of the lenses, and just like focus areas, lenses can have policy commitments. Proposed policy commitments should focus on bridging significant gaps and driving progress toward desired outcomes that are relevant to the needs of IDA countries. **The ‘lens’ terminology will be retained and further elaborated in thematic papers.**

8. **Participants highlighted priorities for focus areas and lenses.** For instance, but not exhaustively, **under the focus areas**, Participants suggested:

- a. **People:** should incorporate inequality, highlight sexual and reproductive health and rights, and reflect a continued focus on pandemic preparedness.
- b. **Planet:** should emphasize crisis preparedness, climate-smart agriculture, nature and biodiversity, food security and green and just transition.
- c. **Prosperity:** should include public finance management, debt (including the concessional financial inflows by IDA for countries in debt distress or at high risk provided), domestic resource mobilization, fair taxation, addressing illicit financial flows, and governance and institutions.
- d. **Infrastructure:** should emphasize the importance of energy access and quality infrastructure.
- e. **Digitalization:** should highlight support to governance reforms, cybersecurity, and address data security risks.

9. Non-exhaustive examples of Participants’ suggestions for priority consideration under the **lenses** include:

- a. **Gender:** should be presented as distinct from youth inclusion to ensure gender-specific issues are not diluted and continue to be reflected across all areas.
- b. **Jobs:** should maintain a continued strong emphasis on job creation in the context of broader structural transformation of the economy, while emphasizing the role of productivity, industrialization, and the importance of value chains, underscoring linkages with the *People* and *Prosperity* focus areas, and addressing *Youth Inclusion* and the importance of the private sector.
- c. **FCV:** should recognize that fragility continues to be a key challenge in IDA countries, capture the focus on prevention and institution-building, assess IDA’s impact and consider what IDA can do better (including through the FCV Envelope), and discuss the role of partnerships.

- d. ***Private Investments***: should articulate the level of ambition in this area, emphasize its links with jobs and the role of an enabling environment, highlight the continued importance of de-risking and of IDA's Private Sector Window, and discuss IFC's own-account commitments in IDA countries.

10. Management took note of these comments, as well as requests offered in written comments and non-papers, and will take these inputs into account as thematic papers are prepared. Management observed that aligning labels with the Corporate Scorecard supports the intent to present a unified picture of WBG delivery and offer a more efficient engagement with clients. **In view of the feedback on the proposed focus areas and lenses, Management agreed that Gender should be reflected as a self-standing lens** and Youth Inclusion should be considered through the *People* focus area and *Jobs* lens.

### iii. IDA21 Results Measurement

11. **Participants agreed with the importance of aligning IDA21 with the new outcome focused WBG Scorecard, and streamlining the number of policy commitments and country actions.** Several Participants raised concerns about the prospect of discontinuing some of the input-/process-/output-oriented operational and institutional indicators specific to IDA countries currently incorporated in IDA reporting. Management observed that a dashboard of organizational efficiency and effectiveness indicators is under development and is envisioned to capture progress on organizational actions. **Management also reaffirmed its openness to considering IDA-specific policy commitments where focused actions can address a clear gap and provide additionality to the WBG Scorecard. Suggestions will be developed in forthcoming thematic papers.** Some Participants highlighted that some of the data collection and disaggregation necessary to feed the WBG Scorecard could prove challenging for IDA countries and would require specific support. Management encouraged Participants to continue providing feedback on areas where policy commitments could provide the desired additionality.

12. **Participants also requested clarification on how the IDA Results Measurement System (RMS) indicators map to the new WBG Scorecard.** A few Participants requested continued reporting on select RMS indicators that reflect issues unique to IDA countries. Management clarified that the new Scorecard, endorsed by the Board in December 2023, will serve as a unified reporting, management, and accountability tool for the WBG, replacing the institution-specific Scorecards.

13. Although the current IDA RMS will sunset at the end of IDA20, almost all indicators in the IDA RMS have related indicators in the new Scorecard. The Scorecard approach incorporates lessons learned from using the IDA RMS over successive IDA cycles and offers an IDA-dedicated view for all indicators with significantly more granularity and closer to real time data than the current approach. This would serve as a basis for continued dedicated reporting on IDA results to IDA Deputies on a yearly basis. All indicators' methodologies are being finalized before the end of June 2024. Reporting the stock of expected results in the new Scorecard will help show IDA's results ambition in line with the financing for a given cycle. In addition, Management will report

the stock of results achieved, which will include results from operations approved in previous IDA cycles.

14. **Management agreed to organize a technical seminar on the Scorecard in April 2024 to help Participants prepare for the discussions in June 2024.** Participants also look forward to receiving more details on SimplifIDA.

#### iv. Other Key IDA21 Issues

15. Participants reiterated the centrality of a country-driven model, and some asked Management to bear in mind that many components of the WBG Evolution reforms are still in discussion. In this regard, Participants requested more information on the relation of Global Challenge Programs (GCPs) with IDA21, and Management agreed to share the related Board documents on the Energy Access and Forestry & Biodiversity GCPs. Noting the continued importance of crisis preparedness, Participants asked for further details on how crisis preparedness will be mainstreamed in the IDA21 policy package. In addition, Participants underscored the sustained importance of knowledge, partnerships, the One WBG approach, and coordination with other Multilateral Development Banks to work as a system in IDA21. Participants stressed the need to improve operational effectiveness so that SimplifIDA lowers not only transaction costs within the Bank but with clients as well. They asked Management to make specific proposals, especially on simplification, use of country systems, and implementation support to deliver impact more efficiently. Participants requested information on how IDA plans to incentivize countries' performance through IDA Country Allocations and windows, including on issues such as Domestic Resource Mobilization. Furthermore, Participants underscored the importance of continued support to Small States, particularly small island economies. Lastly, Participants also reiterated the need to have a common definition on vulnerability and how it affects allocations.

#### C. IDA's Financial Outlook and Options to Strengthen IDA's Medium- to Long-Term Financial Capacity

16. The **World Bank's Managing Director and Chief Financial Officer (MDCFO)** highlighted that IDA countries continue to face significant challenges and that a robust IDA21 is critical to deliver on the ambitions of the WBG Evolution while providing strong positive net flows to IDA countries. She reiterated this would require efforts from all stakeholders in IDA. Management has worked to maximize the use of IDA's balance sheet, through leveraging and balance sheet optimization measures, borrowers leaned forward with some recalibration in the terms of financing, and donors leaned forward by advancing IDA20 and contributing over five years what would otherwise have covered six years. IDA financing to client countries has increased significantly over the last decade – from \$42 billion in IDA15 to \$93 billion in IDA20. Yet, more is needed as IDA's capacity is becoming more constrained while the needs in IDA countries are growing. The MDCFO observed that options presented in the Technical Discussion Note require careful consideration of difficult implied tradeoffs. A cautious approach to debt sustainability and vulnerability in IDA countries is required, while also seeking to achieve a robust replenishment that delivers the level of impact Participants collectively aspire to.

17. **The Director of IDA Mobilization and IBRD Corporate Finance** discussed IDA's medium- to long term financial outlook and the trade-offs of the measures that could be considered

by IDA Participants to boost IDA's financing capacity in IDA21 and beyond. As per usual practice, a 12-year planning horizon was set using the Deployable Strategic Capital (DSC) as of Fiscal Year 2037 (FY37) as a benchmark for the analysis to assess different options and their impact on IDA's sustainable financing capacity. The **WBG Vice President and Chief Risk Officer** provided further details on the additional Capital Adequacy Framework (CAF) enhancements which together with measures introduced at IDA20 MTR results in an increase of IDA's FY37 DSC, thus enhancing IDA's financing capacity not only in IDA20, but also over IDA21 to 24 by a total of up to \$20 billion.

18. While these measures have improved IDA's financial outlook, its projected financing capacity still falls below IDA20 levels assuming the same levels of donor contributions. A decline in financing volumes to IDA countries would represent a major concern as the reversal in development gains due to the overlapping crises has further increased financing needs for IDA countries, many of which count on IDA as the primary source of concessional financing. Management sought feedback from IDA Participants regarding which of the presented measures should be further explored for IDA21 financing scenarios to be presented in June 2024.

19. Participants recognized the challenges and heightened needs that IDA countries face and acknowledged that IDA is a critical source of unearmarked concessional financing and positive net flows. Participants also called on IDA stakeholders to aim toward a balanced approach between ambition and realism for IDA21.

20. Participants requested Management to develop IDA21 financing scenarios which reflect a joint effort from IDA, its donors, and borrowers. Participants requested a range of scenarios including maintaining IDA20 contributions in real terms and maintaining commitment authority in real terms. Measures incorporated in the scenarios should consider differing client contexts but not negatively affect IDA countries' debt sustainability and IDA's long term financial sustainability. Scenarios should highlight the impact of considered measures on IDA's long-term financial stability (i.e., effect on the zero DSC point) and provide transparent information about key assumptions including projected IBRD transfers, graduation prospects, and evolution of debt sustainability ratings for IDA countries.

21. On IDA internal measures, Participants welcomed Management efforts to leave no stones unturned and the introduction of additional Capital Adequacy Framework (CAF) enhancements. Participants also acknowledged the limitations for fixed rate bonds and Capital Value Protection (CVP) swaps. While acknowledging the positive impact from CAF enhancements, they underscored the importance of weighing the benefits of using the freed-up financial capacity now versus spreading it across multiple cycles to push back the zero DSC point.

22. On measures for donors, donors emphasized their commitment to supporting a robust IDA21 replenishment. Participants requested further analysis on the benefits of hybrid capital and portfolio guarantee platform to the IDA concessional model, as well as further details on the implications of hybrid capital on voting rights. Participants also encouraged clearance of overdue Multilateral Debt Relief Initiative and past IDA cycle arrears, noting this could contribute significantly to IDA21 commitment authority.

23. On measures requiring efforts by client countries, Participants emphasized that the options should be explored with care for debt sustainability and encouraged further exploration of the

measures considering trade-offs between volumes and concessionality. They requested a detailed and robust debt sustainability impact analysis, conducted jointly with the International Monetary Fund (IMF) so as to reflect on the cumulative impact of reforms being considered for IDA and the PRGT. On the option of replacing grants with highly concessional credits, some Participants expressed concerns regarding the impact on countries' debt sustainability while others asked for further exploration. Participants stressed the need for selectivity, considering focusing on options for buy-downs or state contingent features, and carefully considering the pros and cons of introducing the grant volume discount. Although some Participants expressed support for further evaluation of floating rate loans, others were concerned in particular on the impact of borrowing at floating rates on countries' debt situation and potentially higher costs in the high interest rate environment. Some encouraged Management to consider combining floating rates with a cap on the effective rate. Participants expressed concern about the prospect of introducing commitment fees and pointed to the limited impact of such a measure on improving IDA's financial capacity. A few Participants asked for assessment of future graduation options. Some Participants expressed reservations about the idea of creating a climate facility in IDA21.

24. Participants also encouraged Management to further explore options for co-financing, including with financial intermediary funds, to increase financing to IDA countries. Management noted that co-financing will be enhanced, with the fees already reduced, and a co-financing platform to be launched at the Spring Meetings, inviting MDBs and bilateral financiers to join.

25. Management will work on these options and reflect the feedback from Participants into the financing scenarios to be presented for June 2024.

26. On the possibility of increasing IBRD and IFC's income transfer to IDA, Management noted that the coverage and responsibilities for these measures sit with the Board of these two institutions and encouraged Deputies to work with their counterparts in the Board on any such proposals. Management also pointed out that the progressive nature of the already agreed IBRD transfer formula automatically ensures higher transfers with higher IBRD net income.

#### **D. Next Steps**

27. Management thanked the Participants on the call for a robust and ambitious IDA21 in terms of financing and results and encouraged working together as one IDA family to achieve a good outcome. Management will commence preparations for the second and third IDA21 Replenishment Meetings, scheduled on April 21 and 22, 2024 in Washington DC (*completed on April 21, 2024*), and June 18 to 21, 2024 in Kathmandu Nepal, respectively. In this context, Management committed to prepare the documents necessary for discussion before the meetings.