IDA21 POLICY PACKAGE:
THE 'LENSES' PAPER

May 31, 2024

ACRONYMS AND ABBREVIATIONS

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

AfDB	African Development Bank
AFI	Africa Fragility Initiative
BOAD	West African Development Bank
CMU	Country Management unit
CPF	Country Partnership Frameworks
CPIA	Country Policy and Institutional Assessment
CPR	Country Performance Rating
CPSD	Country Private Sector Diagnostics
DFI	Development Finance Institutions
EMDEs	Emerging Markets and Developing Economies
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility, Conflict, and Violence
FDI	Foreign Direct Investment
FNS	Food and Nutrition Security
GBV	Gender-Based Violence
GCP	Global Challenge Programs
HCI	Human Capital Index
HIC	High-Income Countries
IBRD	International Bank for Reconstruction and Development
IDA20	20th Replenishment of the International Development Association
IDA21	21st Replenishment of the International Development Association
IDP	Internally Displaced Persons
IEG	Independent Evaluation Group
IFC	International Finance Corporation
INGO	International Non-Governmental Organization
IPF	Investment Project Financing
JET	Jobs and Economic Transformation
LIC	Low-Income Countries
LTF	Long-Term Finance
MDB	Multilateral Development Banks
MIC	Middle-Income Countries
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small, and Medium Enterprises
MTR	Mid-Term Review
PBA	Performance-Based Allocation
PCE	Private Capital Enabling
PCM	Private Capital Mobilization
PRA	Prevention and Resilience Allocation
PSW	Private Sector Window
REC	Regional Economic Communities
RECA	Remaining Engaged in Conflict Allocation
RGSW	Regional and Global Solutions Window
RPRF	Refugee Policy Review Framework
RRA	Risk and Resilience Assessments
RSW	Refugee Sub-Window
SDG	Sustainable Development Goals
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TAA	Turnaround Allocation
TDB	Trade and Development Bank
TPI	Third-Party Implementation
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office for Project Services
WBG	World Bank Group
WHR	Window for Host Communities and Refugees
WMSMEs	Women-Owned Micro, Small, and Medium Enterprises

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EXECUTIVE SUMMARY

i. **The four Lenses will play an important role in achieving the overall objectives of the 21st Replenishment of the International Development Association (IDA21).** This paper identifies the criticality of the four areas of gender equality; more and better jobs; better lives for people living in fragility, conflict, and violence (FCV); and more private investment. These areas are also identified as Cross-cutting Areas in the Scorecard and comprise of six outcome indicators for the World Bank Group (WBG), and progress will be reported regularly. The 21st IDA21 delivery will be strengthened by the lenses in three ways: (i) by making contributions to the design of operations in the Focus Areas; (ii) through achievements within each Lens area which will contribute to the respective Scorecard outcomes; and (iii) by contributing through synergies with the other Lens areas. This paper identifies these pathways.

ii. **The IDA21 policy commitments for the Lenses have been identified given their criticality in achieving outcomes.** The six proposed policy commitments cover actions to be taken either in all IDA countries or a subset of them (one-fourth of countries). The following table provides the list of proposed policy commitments.

iii. While WBG is engaged in the IDA21 focus and lens areas at different levels in most IDA countries, the policy commitments below will be directed to either all countries or a quarter of them where the policy commitments are particularly relevant.

Table ES. 1. IDA21 List of Proposed Lens Policy Commitments

POLICY COMMITMENTS **Reporting arrangements: IDA21 re**porting **Group A:** All relevant IDA countries **Group B:** One-quarter of IDA countries where particularly relevant			
Objective		**Group**	**Commitment**
Gender	**Gender-Based Violence**	**B**	Support countries to institutionalize Gender-Based Violence prevention and response.
Gender	**Childcare**	**B**	Support countries to invest in policies and programs to scale childcare services.
Jobs	**Jobs**	**A**	Support the creation of more and better jobs, particularly for youth and women, in countries with the share of working age population in total population above average, through WBG financing engagements, knowledge, and technical assistance.

POLICY COMMITMENTS
Reporting arrangements: IDA21 reporting

Group A: All relevant IDA countries
Group B: One-quarter of IDA countries where particularly relevant

Objective		Group	Commitment
Private Investment	**Business Environment**	A	Support countries to implement regulatory and institutional reforms addressing critical impediments to private investment as identified by WBG diagnostics and / or provide direct support through WBG engagements.
Private Investment	**Financial Sector Deepening**	B	Support development of domestic capital markets by addressing critical impediments identified in WBG diagnostics.
FCV	**FCV Drivers and Resilience**	A	CPFs/CENs for IDA FCS and FCV Envelope countries will have strategic objectives that reflect how the WBG program, in collaboration with relevant partners, will help address FCV drivers and sources of resilience based on Risk and Resilience Assessments (RRAs) or other FCV diagnostics.

I. INTRODUCTION

1. **Progress in International Development Association (IDA) countries is crucially dependent on actions taken to tackle four cross-cutting issues: gender equality; more and better jobs; better lives for people living in fragility, conflict, and violence (FCV); and more private investment – referred to as Lenses in the IDA21 package**. The World Bank Group (WBG) country engagement strategies, policy dialogue, and operations in IDA countries will contribute to making progress on each of these lenses. Attention will also be given to promoting synergy among the lenses and ensuring that they are well reflected in the five IDA21 Focus Areas: *People, Prosperity, Planet, Infrastructure,* and *Digital Transformation* (covered in an accompanying paper). This paper examines the context in IDA countries in each Lens, the experiences of recent IDA replenishments in addressing them, and the proposed policy commitments for IDA21. It should be read jointly with the IDA21 Overview Paper and Focus Areas Paper. Also, the FCV sections provide a fuller account of recent IDA engagement with FCV, in response to the request made at the IDA20 mid-term review (MTR) and to ensure that IDA tools continue to be fit for purpose.

2. **Gender equality is an important objective and essential for development.** Growing evidence shows how removing gender barriers unlocks economic productivity, reduces poverty, deepens social cohesion, and enhances well-being and prosperity for current and future generations. Women's participation and leadership improve management of natural resources, strengthen resilience, and make economies more competitive. The business case for gender equality is strong; women's economic participation can enable companies to improve performance (IFC, 2017).[1] This evidence underscores the central role of gender in achieving results across all IDA21 focus areas and lenses.[2] It is enshrined in the Universal Declaration of Human Rights, Sustainable Development Goals (SDGs), and the Convention on the Elimination of All Forms of Discrimination Against Women.

3. **Working-age populations in IDA countries, unlike in the rest of the world, are expected to expand over the next half century, which presents opportunities and challenges for the provision of jobs.** Currently, one in every five workers in the global working-age population resides in IDA countries. By 2050, this proportion is projected to increase to one in every three, as the working-age population of today's IDA countries surges from one to two billion and remains constant elsewhere. By 2035, the number of Sub-Saharan Africans reaching working age (15–64) will exceed that of the rest of the world combined. Increasing the overall share of workers engaged in more productive activities that yield higher pay in the face of this demographic shift will represent an enormous challenge as well as an opportunity for faster growth—particularly because, on average, the young entrants to the working-age population have higher educational attainment than the existing workforce.

4. **Countries experiencing FCV generally demonstrate a different development trajectory than the rest of the world, with persistent poverty and declining human capital.**

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[1] *https://www.ifc.org/en/insights-reports/2017/investing-in-women-new-evidence-for-the-business-case*

[2] For additional information on specific evidence and good practice including on gender-based violence (GBV), education, FCV settings, technology, transport, climate, care, female labor force participation, earnings and entrepreneurship, please review the *Thematic Policy Notes* and *Causal Evidence Briefs.*

By 2025, for the first time since the Fragile and Conflict-Affected Situations (FCS) list was created, a majority of the world's extremely poor population is projected to live in FCS. As a result, operating in environments affected by FCV[3] has become increasingly central to the WBG's goal of eradicating poverty. The challenges involved in continuing to pursue its goals in FCV-affected situations have required the WBG to embrace a broader operational focus that encompasses the drivers, impacts, and spillover effects of FCV.

5. **The dual challenge of a weak global outlook and limited fiscal space in IDA countries creates a greater urgency for accelerating private investment to fuel growth and create more and better jobs.** The private sector delivers 90 percent of jobs and is the largest source of income. In this context, attracting greater foreign direct investment (FDI) inflows and spurring domestic private investment have become even more critical, requiring improvements in the regulatory framework for investments, developing domestic capital markets while enhancing stability, and putting in place cost-effective risk mitigation mechanisms. Moreover, as financial sectors in many IDA countries remain bank-centric, vulnerable to risks, and with limited access, several reforms are needed to enhance capital allocation through the economy to create new economic opportunities and jobs growth.

II. THE LENS AREAS IN THE CONTEXT OF IDA COUNTRIES

6. This chapter examines the context of the four lens areas—their trends, challenges, and opportunities—predominantly in IDA countries. The section on FCV looks at a global context as some territories in the WBG's FCS list are not IDA eligible.

A. Gender Equality

7. **The last few decades saw hard-won gains in gender equality, especially in human capital. However, this progress has been uneven, with challenges increasingly concentrated in IDA countries.** Gender gaps in the Human Capital Index (HCI) have closed globally, including on average across IDA countries. However, girls lag boys in completing secondary education in Sub-Saharan Africa (SSA), while boys are falling behind girls in South Asia. Overall performance on the HCI remains low for both sexes in IDA countries. Two-thirds of the world's maternal deaths occur in SSA, and adolescent girls in IDA countries face additional risks from gender-based violence (GBV) and child marriage and early childbearing.

8. **GBV remains widespread.** Around 30 percent of women aged 15 and older have experienced some form of physical and/or sexual GBV. This translates to approximately 700 million women in middle- and low-income countries, with higher rates in IDA countries across

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[3] FCV refers to situations in which fragility, conflict, and/or violence are present, but does not refer to any specific list of countries or situations. FCS refers to countries that appear on the WBG's list of Fragile and Conflict-Affected Situations. The FCS list is issued by the WBG annually based on the established classification methodology. The countries on the FCS list are a subset of the broader range of countries affected by FCV. *www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations*

the Pacific Islands, South Asia, and Africa. To end poverty and expand opportunities requires eliminating violence against women and girls.

9. **Complex and persistent barriers limit women's opportunities in IDA countries, including access to jobs, capital, assets, and legal rights (figure 2.1).** According to the Women, Business and the Law report for 2024, women in IDA countries have only 55 percent of the legal rights of men. In half of IDA countries, women are legally not allowed to work in the same jobs and industries as men, exacerbating sectoral segregation and the gender wage gap.[4] There is also unequal access to assets, for instance, more than one billion women do not have access to finance, and women are 21 percent less likely than men to use the internet.[5]

Figure 2. 1. Complex and Persistent Barriers to Women's Opportunities

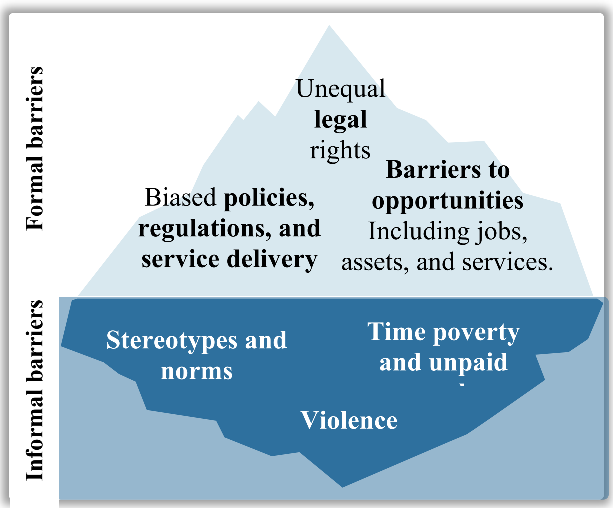
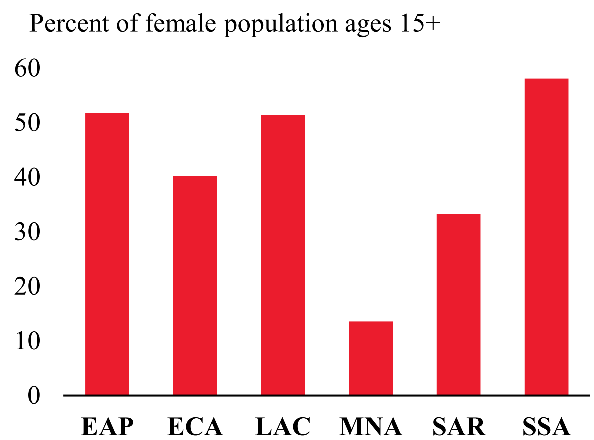


Figure 2. 2. Female Labor Force Participation in IDA Countries, by Regions



Source: World Bank. 2024. The Great Reversal: Prospects, Risks, and Policies in IDA Countries. Washington, DC: World Bank.

10. **Women lack access to productive jobs in low-income countries (LICs).** Better-paying occupations tend to be dominated by men while women's jobs tend to be more informal and vulnerable.[6] The gender gap in waged employment is substantial in IDA countries: 31 percent for men compared to 20 percent for women[7,8] and women earn just 77 cents for every dollar that men

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4 World Bank. 2024. *Women, Business and the Law 2024.* Washington, DC: World Bank.

5 Iglesias, Carlos. 2020. "The Gender Gap in Internet Access: Using a Women-Centred Method." World Wide Web Foundation, March 10, 2020. *https://webfoundation.org/2020/03/the-gender-gap-in-internet-access-using-a-women-centred-method/*.

6 World Bank. 2022. Breaking Barriers: Female Entrepreneurs Who Cross Over to Male-Dominated Sectors. Analysis report, Washington, DC.

7 International Labour Organization (ILO) modeled estimates database (ILOSTAT) *https://databank.worldbank.org/metadataglossary/gender-statistics/series/SL.EMP.WORK.FE.ZS*

8 Pimkina, Svetlana, and Luciana de La Flor. 2020. "Promoting Female Labor Force Participation." Jobs Working Paper 56, Washington, DC.

earn.[9] Female farmers account for 36 percent of the agricultural labor force in developing countries but have lower productivity and are women account for less than 15 percent of agricultural landholders.[10]

i. Binding Constraints to Gender Equality

11. **First, underinvestment in human capital curtails outcomes for individuals and outlooks for economies**. Today in SSA, half of 15- to 19-year-old girls are out of school, married, or have a child. This severely constrains their human capital development, life choices, and economic prospects. Improving access to sexual and reproductive health services beginning in adolescence spurs a demographic transition, lessening dependency ratios and supporting girls to stay in school. Investments in quality education and skills prepare young people for productive jobs, including the jobs of the future. Comprehensive support shows promising results and requires country-specific combinations of services, including education and skills, health care, sexual and reproductive health, social protection, school-to-work transition, and/or programs to prevent and respond to GBV. The IDA21 *'People'* Focus Area addresses the needs of adolescent girls. This would facilitate tailored support to a critical population group, bolstering the Scorecard target regarding the number of people globally receiving health services.

12. **Second, gender inequalities limit women's productive economic participation.** Women's jobs in IDA countries are characterized by occupational segregation, high levels of informality, and low productivity. Economic participation is further constrained by unequal laws and regulations.[4] Women's disproportionate burden of care and household work has wide-ranging consequences in the economic sphere, and they face unmet demand for quality, accessible, affordable care services for children, the elderly, and persons with disabilities. Investments in the care economy—notably childcare in IDA countries, but also elder care and disability care as populations age—can create jobs and free up women to participate more productively. The private sector can complement the public sector in financing childcare service infrastructure and provision. Addressing poverty depends on expanding and enabling economic opportunities. Productive economic inclusion programs with strong gender components have lifted many extremely poor households out of poverty. Gender gaps are stark in business ownership and leadership, which reduce firm productivity, performance, and profits and can be attributed to a range of constraints—including skills, networks, and access to finance, technology, and markets—that affect women's decision to become entrepreneurs, their sectoral choices, and their business investments.

13. **Third, GBV is the most egregious manifestation of gender inequality and an alarming challenge to global public health, human rights, and economic opportunities.** In IDA countries, GBV is characterized not only by sexual and intimate partner violence but also by the prevalence of practices such as female genital mutilation and child marriage. In the workplace, GBV is associated with reduced productivity, increased absenteeism, and higher turnover. The nexus between violence, conflict, and poverty is magnified in IDA countries, especially in fragile

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9 Lo Bue, Maria C., Tu Thi Ngoc Le, Manuel Santos Silva, and Kunal Sen. 2022. "Gender and Vulnerable Employment in the Developing World: Evidence from Global Microdata." World Development 159: 106010. *https://doi.org/10.1016/j.worlddev.2022.106010*.

10 FAO (Food and Agriculture Organization of the United Nations). 2022. The Status of Women in Agrifood Systems – Overview. Review report, Rome.

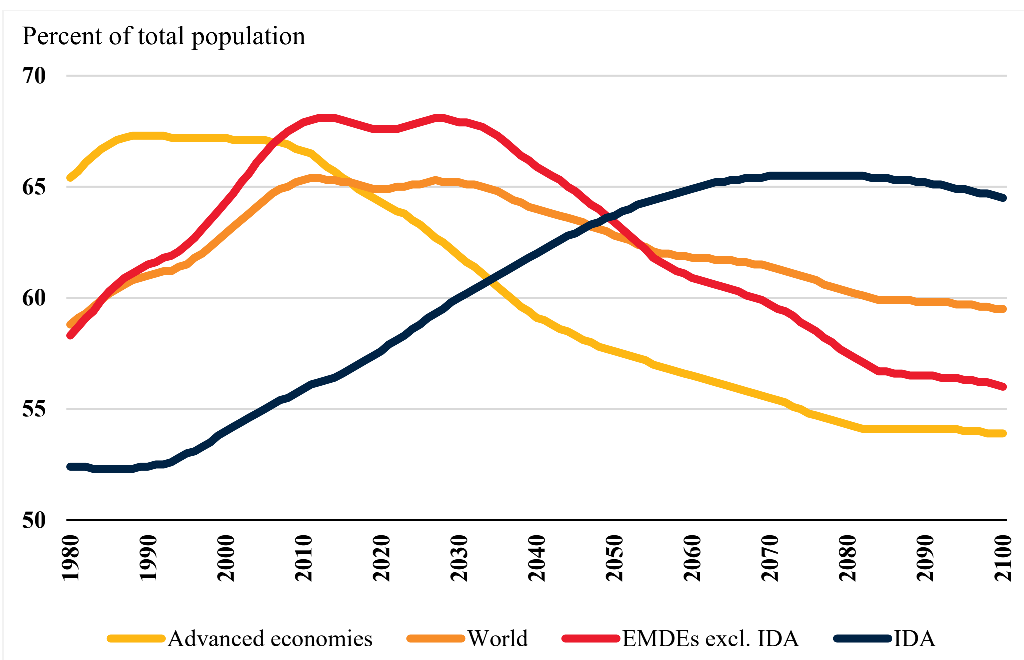
and conflict-affected states. In these settings, men and boys are exposed to violence and pressures linked to masculinity, while women bear the brunt of inequality manifested in higher rates of GBV, economic hardship, and limited mobility, with profound personal and economic consequences.

B. More and Better Jobs

14. **The working-age population of today's IDA countries is set to double by 2050 (figure 2.3), presenting an enormous jobs challenge for these economies.** Tackling this enormous challenge requires action on multiple fronts: promoting labor force participation, particularly for women and youth (as mentioned in the previous section on gender equality); addressing barriers to private investment, including for small and medium enterprises (SMEs); promoting upskilling and reskilling; facilitating the adoption of technology, innovation, and entrepreneurship; facilitating transitions to green sectors; improving the quality of labor market institutions; and expanding digital connectivity to narrow the gap between supply and demand of labor.

15. **IDA countries face a shortage of productive job opportunities capable of sustaining dignified livelihoods above typical poverty thresholds.** The proportion of economically engaged individuals in IDA countries is comparable to that observed outside IDA countries (about 60 percent). Yet, this observation underscores a fundamental insight into the job challenge facing developing countries. In many IDA countries, the primary challenge lies not in a scarcity of jobs, but rather in a deficiency of productive employment opportunities.

Figure 2. 3. Projected Increase in the Working-Age Populations of IDA Countries by 2070
(Defined as People Aged 15 – 64)



Source: World Bank, 2024

16. **The low productivity of jobs is linked to the low level of physical and human capital that workers in IDA countries typically have, as well as weak total factor productivity growth.** In both high- and low-income settings, labor is often people's primary asset. However, few jobs rely solely on labor. Access to equipment or machinery through employment in a well-capitalized firm can significantly enhance worker productivity in almost any job. A key challenge is that workers in today's IDA countries work with only one-tenth of the capital of workers in high-income countries (HICs) and with technologies that are far from the global "frontier." Similarly, most jobs require workers to possess both cognitive and noncognitive skills, which typically develop through childhood education. Yet, the average schooling attainment among workers in IDA countries is only one-third of that among workers in HICs, with 4.7 years compared to 12.2 years, respectively. Additionally, challenges with education quality affect the skills of young workers as they enter the labor market. The role of the private sector in this agenda is examined in this and the accompanying paper on Focus Areas.

17. **Low levels of physical and human capital per employed worker reduce the productivity of work across IDA countries.** Only 27 percent of working people in IDA countries have waged jobs, a stark contrast to the 87 percent in HICs. When jobs are scarce within established, well-capitalized firms producing sophisticated products, it becomes challenging for workers to enhance their skills with both tangible and intangible capital and benefit from skills complementarity with other workers. Consequently, labor in developing countries often remains underemployed, leading to high levels of involuntary self-employment and a prevalence of informal work arrangements, which ultimately dampens workers' productivity. Moreover, the scarcity of foundational skills means that a significant portion of workers remains confined to the agricultural sector, with minimal occupational choices beyond it. This disparity contributes to the much higher proportion of workers in IDA countries engaged in low-skill occupations compared to those in high-income economies.

18. **These differences in the productivity of work are reflected in the massive differences in earnings of workers across countries, sectors, and skill levels.** A typical employed person earns about $18,100 per year in Chile and $16,300 per year in Thailand. In contrast, a typical employed person in Burkina Faso earns $6,244 per year and $1,120 per year in Rwanda. If they work in agriculture in Burkina Faso, they earn $3,554 per year, and in Rwanda, $195 per year. High-skilled jobs pay three times more than low-skilled jobs in Burkina Faso, and 26 times more in Rwanda. These income gaps are greater for women. An average woman in the labor market earns roughly half as much as a man in Burkina Faso, and 18 percent less in Rwanda.

19. **These challenges are particularly daunting for women and youth.** Teenage pregnancy; early marriage; domestic responsibilities; lack of access to daycare services, transport, infrastructure, and security; unequal access to assets; and sometimes, societal norms, limit girls' higher educational opportunities and women's participation in the labor force. Consequently, women's occupational choices and opportunities are often severely restricted, leading to a disproportionate engagement in vulnerable employment, if they work for pay at all. Almost 80 percent of working women, compared to 61 percent of working men, are involved in family and own-account work, while only 20 percent of working women hold waged jobs, in contrast to 35 percent of working men. For youth, the imperative is to ensure that job opportunities evolve commensurately with their increasing level of education. In most IDA countries, youth are

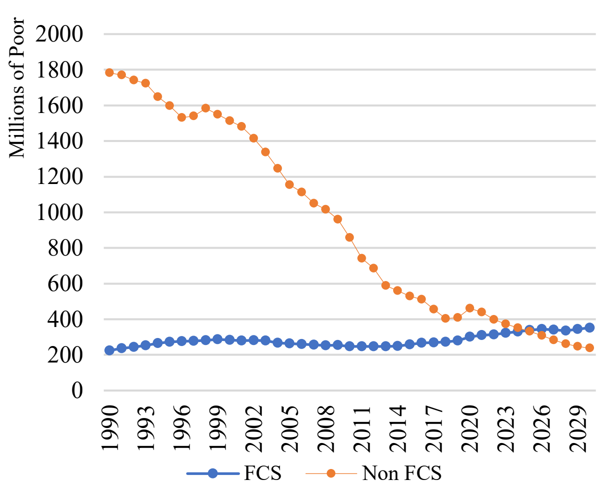
remaining in school for longer periods compared to the past. However, a significant challenge persists despite these increases in educational attainment as more educated cohorts of workers often find themselves trapped in unskilled occupations.

C. Fragility, Conflict and Violence

20. **Since 2020, the world has experienced a set of overlapping and compounding crises, as well as cross-border and global challenges that have reversed hard-won development gains. FCV-affected countries have been among the most impacted**. Irregular political transitions and conflicts across the globe have brought on serious development challenges and exacerbated FCV risks. This has generated enormous regional and global costs and impacts in terms of economic growth, food security, and forced displacement. The COVID-19 pandemic and its socioeconomic impacts, combined with ongoing vulnerabilities to natural hazards and climate-related stresses, have severely impeded the ability of the poorest countries to meet the 2030 SDGs.

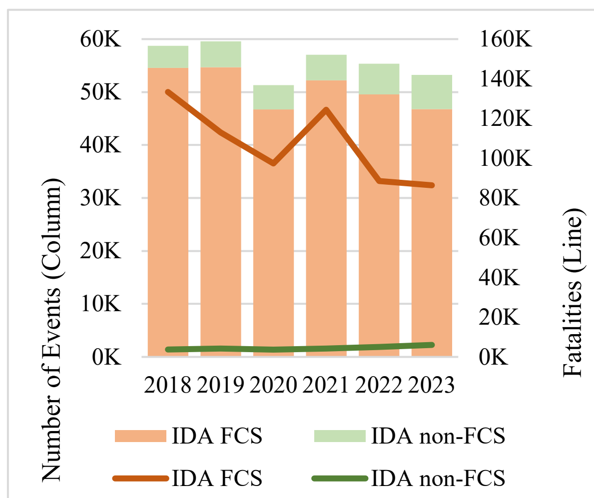
21. **Amid a global context of reversals in development, countries experiencing fragility, conflict, and/or violence face even deeper challenges, with rising concentrations of poverty and lagging indicators in human capital.** Despite significant drops in the rest of the world, extreme poverty continues to grow and concentrate in FCS economies, threatening the achievement of development goals. Currently, 33 of the 39 territories listed on the WBG's FCS list are IDA eligible.

Figure 2. 4. Millions of Extreme Poor in FCS and Non-FCS



Sources: *Poverty and Inequality Platform* (PIP), v20220909_2017_01_02_PROD; Mahler, Yonzan, and Lakner 2022; World Bank 2022. Based on FY24 FCS list.

Figure 2. 5. Number of Conflict Events and Conflict-Related Fatalities in IDA



Source: World Bank. 2024. The Great Reversal: Prospects, Risks, and Policies in IDA Countries. Washington, DC: World Bank.

22. **By 2025, the total number of extreme poor in FCS countries is projected to surpass that in non-FCS countries worldwide** (figure 2.4). This trend is expected to continue. By 2030, an estimated 59 percent of the global extreme poor will live in FCS countries. FCS countries tend

to face multiple compounding risks, including global challenges such as the impacts of climate change, often with limited capacity to address them.

23. **Overall, conflict events and fatalities are rising globally.** Although there is a slight downward trend among IDA countries (figure 2.5), the human and socioeconomic costs of conflict and violence remain extremely high. Direct conflict-related deaths (that is, those captured in data points, such as in figure 2.5) tend to be biased toward men's experience of war. Political violence targeting women can take many forms, and it is the nonlethal forms of such violence—like abductions and forced disappearances or sexual violence—that tend to disproportionately impact women relative to civilian populations at large.[11] Conflict can also be responsible for deaths off the battlefield. Indirect consequences of war such as food or economic insecurity can also have deadly consequences.

24. **FCV is a major development challenge in middle-income countries (MICs), including in IDA-eligible, lower-middle-income countries**. Over the past decade (2010s), there were more deaths from political violence in MICs than in LICs.[12] Importantly, FCV in MICs can have broader cross-border impacts, with implications for the global economy, food supply, trade, and stability. Subnational conflicts can occur in MICs even as they may exhibit significant economic growth nationally, potentially masking deep institutional fragility and important regional disparities.[12] MICs experiencing ongoing conflicts often do not remain middle income in the long-term. They eventually shift to low-income classification as conflicts wage on,[13] underscoring the relationship between FCV and poverty.[14]

25. **The estimated number of forcibly displaced has continued to rise since 1991, reaching over 104 million people by mid-2023[15]** (figure 2.6). This record figure included 30.5 million refugees under the United Nations High Commissioner for Refugees' (UNHCR) mandate, 5.9 million Palestinian refugees under the United Nations Relief and Works Agency's mandate, 6.1 million asylum seekers, 5.3 million other people in need of international protection, and an estimated 57 million internally displaced persons (IDPs). Notably, more recent *Internal Displacement Monitoring Centre data* for end-2023 signals a marked increase in the total number of conflict-induced IDPs, reaching 68.3 million. The number of refugees in protracted situations has more than doubled over the past decade.[16,17] Countries impacted by fragility and conflict remain the principal origin of the world's refugees and IDPs, and in some cases, are also hosting

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11 Kishi, Roudabeh. 2021. *Violence Targeting Women in Politics: Trends in Targets, Types, and Perpetrators of Political Violence.* Analysis report, The Armed Conflict Location and Event Data Project (ACLED), Madison.

12 World Bank. 2022. Fragility, Conflict, and Violence in Middle-Income Countries. Research study, Washington, DC.

13 For example, the downgrading of income classification occurred for Syria and Yemen in 2017 (reflected in FY19), and Sudan in 2019 (reflected in FY21).

14 Kishi, Roudabeh. 2023. "A Quantitative Look at Global Conflict Trend: Using Conflict Data to Assess Changing Conflict Trends since Pathways for Peace." Prepared for the United Nations–World Bank joint initiative on "Pathways for Peace: 5 Years On," June 2023.

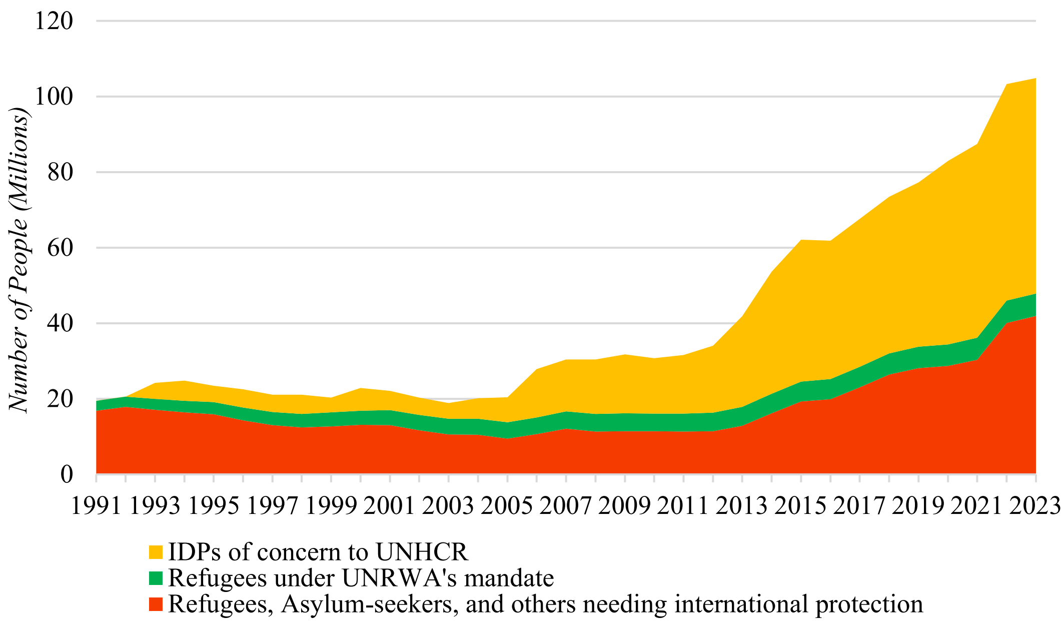
15 UNHCR data up to June 2023. Full year 2023 data will be published in June 2024.

16 *World Development Report 2023: Migrants, Refugees, and Societies.* Washington, DC: World Bank. *https://worldbank.org/en/publication/wdr2023*

17 See figure 2.6, based on UNHCR data and utilizing the methodology developed in Devictor and Do (2017).

large numbers of forcibly displaced people (OECD 2022).[18] Women and children account for about three-quarters of all forcibly displaced people and frequently face heightened protection risks, including GBV. Climate change is intensifying pressure on available resources, constituting an additional factor of conflict and worsening existing displacement crises, while food insecurity can contribute to driving new and repeated internal displacement.[19]

Figure 2. 6. Number of Forcibly Displaced Persons, 1991 - June 2023



Source: UNHCR Refugee Data Finder (accessed May 16, 2024)

26. **Governments in FCV-affected contexts often have relatively limited capacity and resources to manage, absorb, or mitigate compound risks, or "polycrises."** They face pressures to restore or provide services and security quickly (in short time frames), with limited capacity to build on; little margin of error (for example, lack of trust and social capital, weak institutional resilience, and so on); and a hyper-politicized environment. Helping FCV-affected countries avoid widespread hunger, mitigate debt distress, and build resilience to climate and other shocks can help avert the risk of instability, unrest, widespread displacement, and cross-border spillover effects.

27. **Global, national, and subnational threats continue to expand, with substantial impacts on IDA countries—in some cases, to an extent that fundamentally challenges the WBG's ability to reach the most affected populations.** In the last few years, IDA countries like Burkina Faso, Mali, Myanmar, Niger, and Sudan have experienced coups and irregular transitions

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[18] Based on OECD's classification of fragile contexts.

[19] Anzellini, Vicente. 2022. "Global Food Insecurity Is on the Rise, So Is Internal Displacement. What Is the Relationship?" Internal Displacement Monitoring Centre. *https://www.internal-displacement.org/expert-analysis/global-food-insecurity-is-on-the-rise-so-is-internal-displacement-what-is-the/*

of power, while Afghanistan has also gone through irregular political transition by force and Haiti is facing widespread political and social upheaval. This not only exacerbated FCV in those countries but also diminished IDA's ability to engage and extend resources targeting prevention, resilience, and transition measures. The operating context for the private sector in FCS countries is increasingly and particularly challenging. Rising conflict and political instability have deteriorated investment conditions, increased risks, disrupted private sector activity, and limited investment flows in FCS countries (UNCTAD).[20]

D. Private Investments

28. **Reversing the massive toll of the multiple crises of the past four years on IDA countries requires ambitious policies and higher levels of investments**. Increasing incidence of conflicts, a sharp increase in global inflation, and a tightening in global financial conditions with rising interest rates are undermining investment prospects. Sovereign spreads for IDA countries increased markedly, relative to other emerging markets and developing economies (EMDEs). External financial flows to these countries also fell in 2022. In the near term, growth in IDA countries is expected to remain subdued, with 2020–24 set to be the weakest half-decade of growth since the early 1990s. Creating the conditions to accelerate private investment growth hinges on the implementation of comprehensive regulatory and policy packages.

29. **The private sector, as a partner in delivering innovative solutions and as an investor, is central to tackling the enormous challenges of climate action, infrastructure and public services access, gender equality, sustained growth, and job creation.** The average annual gap in estimated total spending needs for addressing global challenges, including climate change and resilience, pandemic, and conflict and fragility is on the order of $347 billion per year for all IDA countries between 2023 and 2030.[21] A significant portion of this still relies on public budgets.

30. **The context of a weak global outlook and limited fiscal space in IDA countries creates great urgency for accelerating productive private investment to fuel growth and create more and better jobs.** The economic outlook remains dim, with a marked slowdown in investment and productivity.[22] FDI flows have been struggling to sustain same level of finance to IDA countries' investment needs.[23] FDI flows as a share of IDA countries' GDP have been declining from up to 3.9 percent in 2012 to around 1.4 percent in 2022.[24] This is happening in the context of limited

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[20] In 2022, net FDI flows to FCS countries dropped to $11 billion dollars from $25 billion in 2021 and compared to the average of $21 billion over the past decade. Based on FY23 International Finance Corporation (IFC) FCS classification.

[21] Of this, approximately 90 percent is estimated to be public spending, while 10 percent is spending by the private sector.

[22] The GDP growth rate for EMDE countries is estimated at just 4 percent for the period from 2022 to 2030, a significant decline from the 6 percent average witnessed between 2010 and 2019. The lower growth prospects reflect a declining trend in productivity growth and investment in EMDEs which are both at 20-year lows: labor productivity growth has declined steadily from 2.5 percent around 2010 to below 1 percent in recent years.

[23] Capital investment's contribution to GDP growth in Emerging and Developing Economies is projected to dip from 2.9 percent in 2000-21 to a mere 2.3 in 2022-30, while total factor productivity's contribution is expected to drop from 2 percent to 1.4 over the same timeframe (World Bank 2023, 2024. Global Economic Prospects, Washington D.C.).

[24] World Bank 2024. Investment Climate Assessment 2.0: enabling productive private investment, Washington D.C.

fiscal space for public investment in the coming years as public debt in IDA countries has escalated from 38 percent of GDP in 2010 to 55 percent in 2022.[25] This constrains governments' ability to allocate funds for growth-enhancing public capital investment, social spending, or addressing the climate change crisis and escalates the need for the private sector to contribute to economic growth. At the same time, in IDA countries, heightened risks and unpredictability often discourage private sector investment at the necessary scale.

31. **Investment challenges are multiplied in IDA countries that are affected by conflict**. IDA stakeholders have observed that working with the private sector in FCS is far from business as usual, with higher risks and costs because of unique challenges on the ground.[26] Supporting viable private sector investments in FCS often requires long-term, extensive, and upfront work related to project development and capacity building and blended finance support to overcome actual and perceived risks.[27]

III. GENDER EQUALITY LENS

GENDER EQUALITY: Proposed Policy Commitments

(1) Support countries to institutionalize Gender-Based Violence prevention and response.

(2) Support countries to invest in policies and programs to scale childcare services.

*Among other things, the **Scorecard** will measure the millions of people benefiting from greater gender equality through IDA-supported actions that expand and enable economic opportunities.*

32. **Progress toward gender equality has been too slow and risks being overshadowed by crises.** The world is experiencing crises, conflicts, and megatrends with disproportionately negative impacts on women, girls, sexual and gender minorities, and marginalized groups. The impacts of climate change are profound, accentuated by gender inequalities. Governments face hard choices under tightening fiscal constraints, sometimes cutting back expenditures on core services such as health and education.

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[25] The debt-to-GDP ratio for IDA blend countries increased from 42 percent in 2010 to 70 percent in 2022.

[26] These include: a limited private sector, often largely informal, with poor capabilities and lack of access to finance; underdeveloped market structures characterized by a prevalence of state-owned enterprises or otherwise imperfect or incomplete markets; poor infrastructure and supply chains; a weak legal and regulatory environment, low government capacity, and weak institutions; and high real and perceived risks.

[27] For example, developing infrastructure projects in FCS settings may take three to six years or longer and cost twice as much. Similarly, after commitment, projects in FCS countries require significant assistance to realize their potential. Supply chains need to be developed, local community interactions supported, and land and other environmental and social issues addressed.

Gender equality as a development outcome with deep intrinsic value is increasingly undermined by traditional power relations and backlash. At the current rate of progress, it would take more than 100 years for women to reach legal parity with men.

33. **The WBG's proposed 2024–2030 Gender Strategy expresses the bold ambition to accelerate gender equality to end poverty on a livable planet.** The strategy prioritizes three objectives and six outcomes to advance gender equality (figure 3.1).

Figure 3. 1. Strategic Objectives and Outcomes of the 2024 – 2030 Gender Strategy

34. **IDA21 can contribute to unleashing women's potential in economic development.** Experience shows that gender equality is unachievable without collective action to sustain broad-based commitments—a perfect alignment with IDA's value proposition. The shift under IDA21 to a gender "lens" will facilitate even stronger integration of the issue across the five focus areas and the other three lenses, allowing for gender to play a more central role than in past IDA cycles. Integration will be balanced with selected gender-specific policy commitments on GBV prevention and response and expanded childcare support. These policy commitments provide a focus on priority areas that are not already covered in the Scorecard. These are also areas that need catalytic gender-specific attention in IDA countries to accelerate progress and achieve impact at scale.

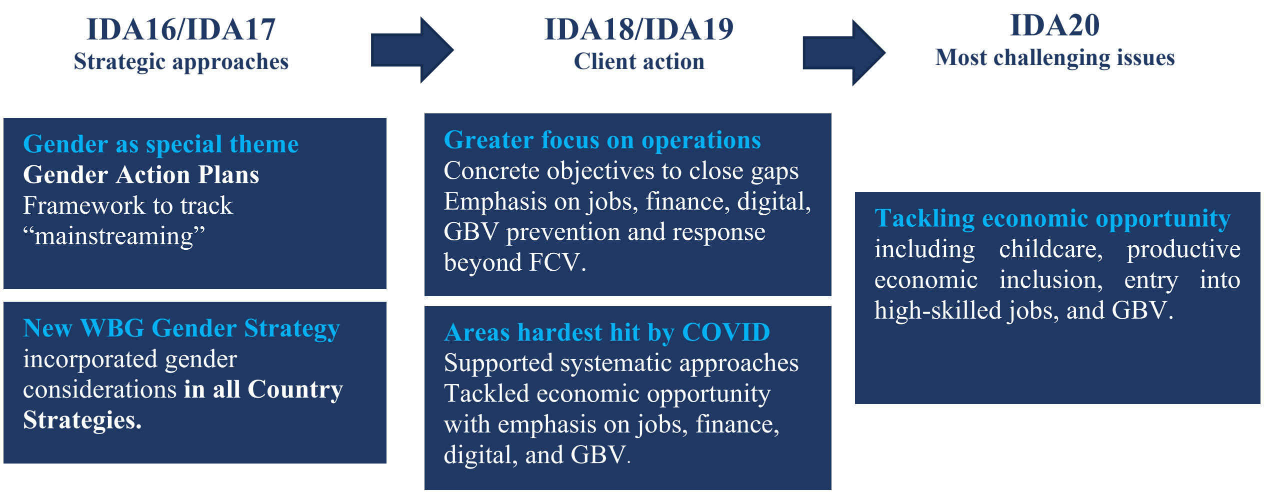
A. Lessons and Continuity from Previous IDA Cycles

Box 3. 1. Preventing and Responding to Gender-Based Violence

A steady and strategic focus on Gender-Based Violence (GBV) as part of IDA commitments has spurred action for GBV prevention and response. Since IDA17's commitment to addressing GBV in fragility, conflict, and violence (FCV) settings, each cycle has included policy commitments with increasing ambition, from implementing task force recommendations to promoting systemwide approaches. IDA investments in staff capacity and evidence have given the institution a solid foundation to help client countries tackle the challenge with approaches shown to work. Today, IDA's support on the topic cuts across all sectors, with the number of operations on GBV increasing nearly tenfold over five years. For example, a flood rehabilitation project in the Sindh province of Pakistan includes dedicated protocols on GBV prevention and response in emergency response plans, conducts behavior change campaigns to prevent GBV and early marriage, and strengthens capacity and referral pathways of GBV response services. The International Finance Corporation's (IFC) Respectful Workplaces program operates in several IDA countries to help the private sector create safe and respectful workplaces and address GBV. For example, in the Solomon Islands, IFC implemented the Waka Mere program with 15 companies to advance workplace gender equality, including addressing GBV. The Multilateral Investment Guarantee Agency (MIGA) integrates GBV risk considerations into its environmental and social risk management process through the application of tools to identify, assess, and monitor GBV risks across the project cycle.

35. **IDA is one of the key vehicles to advance gender equality globally, delivering on increasingly outcome-oriented policy commitments with rising ambition**. It is a platform for partnership and stakeholder consensus supporting global commitments, including those under SDG 5 on gender equality and objectives. It is central to meeting the objectives in the proposed WBG Gender Strategy (figure 3.1).

Figure 3. 2. Evolution of IDA Policy Commitments on Gender Equality



36. **IDA has elevated gender equality to be a central feature of WBG support in the poorest countries**. The ambition of IDA's commitments has grown since the gender theme was introduced under IDA16, as shown in figure 3.2. IDA initially emphasized developing strategic approaches at the World Bank, regional, sectoral, and country levels. Over time, commitments

focused more on specific and tangible actions to support clients on prioritized obstacles to gender equality, including in health, education, and infrastructure. In the most recent cycles, the commitments have addressed some of the most fundamental challenges and frontier issues around economic opportunity. These include, for example, efforts to address GBV (illustrated in box 3.1) use evidence to support adolescent girls, enable economic participation through childcare services (box 3.2), and support women entrepreneurs and women-owned micro, small, and medium enterprises (WMSMEs) with financing and access to assets. Building on this momentum, IDA21 will support clients to address the primary binding obstacles to gender equality.

Box 3. 2. Expanding Services that Enable Economic Participation: The Case for Childcare

Childcare was a frontier area for the World Bank Group (WBG) when the topic was introduced as a policy commitment under the 20th Replenishment of the International Development Association (IDA20), with the promise of multi-generational impacts on women's economic empowerment and employment options, child outcomes, family welfare, business productivity, and economic growth. The Invest in Childcare Initiative, jump-started by the International Development Association (IDA) commitment, leverages trust fund resources to maximize IDA's impact. New evidence gathered through country and global analytical work has helped IDA make the case for childcare to clients and expand our understanding of what works, catalyzing significant client demand. This is paying dividends, with IDA20 so far financing childcare activities in 15 new operations in 11 countries. Since the start of IDA20, Invest in Childcare has received over 140 requests for finance and technical assistance across IDA and International Bank for Reconstruction and Development (IBRD) countries.

For example, in Rwanda, IDA is expanding services at early childhood development centers, leveraging them not only as service delivery platforms for nutrition and health monitoring, but going further by equipping the centers to offer childcare for extended hours to free up women's time to engage in more productive economic activity, with assurance that children are in safe and stimulating environments. In Senegal, within a women's higher education operation, IDA is financing the development, construction, and equipment of childcare centers inside vocational institutes and rolling out a new training program to offer childcare as a training track and profession creating multiple returns—the provision of childcare on-site allows more parents, and especially mothers, to seek higher education; offering childcare as a training track creates new employment pathways; and ensuring children have better care and early learning opportunities helps them arrive to school ready to learn and improves learning outcomes.

By working with the private sector through the Tackling Childcare initiative, the International Finance Corporation (IFC) has worked to build the business case for employer-supported childcare globally and in over 20 countries—including Bangladesh, Cambodia, Fiji, Myanmar, and Sri Lanka—in addition to supporting the private sector in implementing care and family-friendly policies through advisory, investments, and private sector peer learning. Care2Equal, part of the WBG Invest in Childcare initiative, will focus on mobilizing private sector action, innovation, and investment to tackle the global care crisis. The Multilateral Investment Guarantee Agency (MIGA) is working with clients to develop gender actions that assess how caregiving impacts women's employment and leadership. MIGA clients, especially those in the digital sector, have committed to supporting women to move into more managerial and technical roles by addressing caregiving barriers that have impeded their employment opportunities.

37. **Three key lessons have emerged from IDA support for gender equality.**

a. First, results require sustained, broad-based commitment, and sometimes changes to attitudes and social norms. IDA is at its best when it builds coalitions for collective action accompanied by targeted finance to reach scale and impact. For example, in Niger, local leaders and community influencers work together to influence norms around child marriage and sexual reproductive health; In Bangladesh, local leaders and the religious establishment are empowering female frontline health workers and teachers with professional identity and authority to make women's mobility and work more socially acceptable.

b. Second, policy commitments in frontier areas expand knowledge and help drive resources to test, evaluate, and scale promising approaches. These are often rigorously evaluated for impact, including by the WBG's *gender innovation labs,* and lead to innovations such as the International Finance Corporation's (IFC) introduction of the first gender bond to be listed on a Sub-Saharan African stock exchange in Tanzania. There is potential to replicate and expand these innovations and evidence-informed approaches to deliver results at scale. This includes successful approaches to influence norms and behaviors and to childcare support (box 3.2).

c. Third, outcomes at the country level are enhanced through strategic, comprehensive country engagement including through institutional and policy reform. Advancing gender equality requires a coordinated approach to address multiple constraints coherently using a mix of instruments and approaches tailored to country contexts and population groups. This includes working as One WBG through interventions across sectors to improve priority gender outcomes.

B. Way Forward and Expected Outcomes in IDA21

38. **The IDA21 focus on gender equality is anchored in the forthcoming WBG Gender Strategy 2024–2030 and reflects enhanced accountability and transparency including monitoring gender outcomes as part of the Scorecard.** The new Scorecard tracks the impact of WBG support, including a new indicator; millions of people benefitting from greater gender equality. This new indicator aggregates across operations the number of beneficiaries from actions designed to advance gender equality. This outcome-oriented indicator represents a shift from counting operations that include interventions to close gender gaps towards measuring the beneficiaries of actions to advance gender equality. This gender-specific indicator is complemented in the Scorecard by 14 other results indicators that disaggregate by sex, including on health, education, social protection, jobs, and financial and digital services. The forthcoming WBG Gender Strategy also includes focus areas with targets to drive results.

39. **Accelerating gender equality will require coordination within IDA, across the WBG, and with external partners to deliver outcomes.** A One WBG approach can facilitate public and private sector solutions, including addressing sexual harassment in transport, public spaces, and workplaces; and to enable women to access more and better jobs, assets, and services, develop more profitable businesses, and emerge as leaders in communities, companies, and beyond.

Investments in analytical work can influence policy reforms to unlock the potential for private sector engagement, including from IFC and MIGA. At the global level, IDA expands partnerships with civil society, the private sector, academia, United Nations (UN) agencies, and other official partners to collect and share data, develop solutions, build capacity, and mobilize multilateral development banks (MDB) co-financing and concessional finance. Promising partnerships include the Financial Alliance for Women, Global Financing Facility, Women Entrepreneurs Finance Initiative, Invest in Childcare, and collaboration with UN Women. At the country level, IDA can partner with actors across the public and private sectors and civil society who reflect interests related to specific gender equality outcomes, such as the approach taken in the regional Sahel Women's Empowerment and Demographic Dividend project. Such coalitions align formal institutions, policies, attitudes, norms, and practices to advance gender equality and have been used effectively across IDA countries.

40. **Implementation of the IDA21 Gender Equality Lens will be governed by the World Bank's country-driven model and client country priorities.** Support will be tailored to the specific contexts across IDA countries and to the needs of specific groups—for example, recognizing the disadvantages facing men and boys or adolescent girls, or the vulnerabilities arising from the intersection of gender with poverty, ethnicity, disability, and other characteristics. IDA reaffirms the WBG commitment to nondiscrimination, inclusion, and equality of opportunity, encompassing all people including sexual and gender minorities.

Gender-Based Violence
IDA21 will support countries to institutionalize Gender-Based Violence prevention and response.

Childcare
IDA21 will support countries to invest in policies and programs to scale childcare services.

41. **The proposed policy commitments address binding constraints to gender equality in IDA countries.** IDA21 will (i) ***support countries to institutionalize gender-based violence prevention and response***; and (ii) ***support countries to invest in policies and programs to scale childcare services.*** Both policy commitments will apply to at least one-fourth of all IDA countries. Several policy commitments s are intended to intensify IDA's engagement and should be seen in the context of the overall WBG engagement in those areas.

42. **IDA will continue to help clients tackle aspects of gender inequality across the outcomes of the WBG Gender Strategy.** The IDA21 policy package includes two policy commitments in the *'Gender Equality'* Lens and gender informed commitments across the IDA21 policy architecture. IDA and the WBG are committed to helping all clients advance towards the full range of gender equality outcomes in the forthcoming WBG Gender Strategy. This includes, for example, addressing occupational segregation; investing in women's employment and access to jobs; supporting equality in access to economic assets (such as finance, technology, and markets) and services; expanding women's participation in decision-making and leadership; and supporting adolescent girls through multiple interventions including sexual and reproductive health, social protection, and school-to-work transition.

C. Linkage with the Knowledge Compact and Global Challenge Programs

43. **The IDA21 Gender Lens will help deliver on the Knowledge Compact by investing in knowledge and capacity.** These investments are central to IDA's approach to implementing the proposed 2024–30 WBG Gender Strategy and gearing up for its new ambition. Gender analysis will inform core analytics and country engagement priorities and assist policymakers and other stakeholders in assessing the potential gains from addressing specific gender barriers. Continued investments in gender data and evidence of what works will inform future pathways toward better gender equality outcomes. IDA will also invest in expertise and strengthen the technical capacity of staff and clients in key areas, including expanding learning programs to align gender expertise with technical expertise across the WBG.

44. **Gender equality contributes to broader development goals including those articulated in the Global Challenge Programs (GCPs).** The GCPs recognize that gender equality advances productivity and inclusive economic growth, and the tremendous potential for promoting South-South learning in this important area. Integrating gender solutions as part of addressing development challenges will require coordinated multisector efforts to improve outcomes. For example, the Food and Nutrition Security (FNS) GCP argues that unleashing the potential of women in agrifood systems and as decision-makers in their households and communities can increase the food and nutrition security, productivity, and resilience of families, communities, and economies. The guiding principles of the GCP include prioritizing the unique nutritional needs of women and young children and advancing women's economic empowerment. The Accelerating Digitalization GCP includes targeted approaches to promoting the inclusion of women in accessing services and digital identification, the acquisition of digital skills, participation in digital jobs (with emphasis on school-to-work transition with the involvement of the private sector), and participation in decision-making.

D. Linkage with other IDA21 Priority Areas

45. **Gender equality will drive results in the focus areas.**[28]

a. **For *'People'***, sexual, reproductive, adolescent, and maternal **health services** are core elements of universal health coverage and of maximizing human capital development. Women's leadership can strengthen health systems, including expanding work on GBV, mental health coverage, pandemic preparedness, and emergency preparation and response. In **education**, enrolling and keeping girls and boys in school, learning, and translating education into future gains remain core challenges in IDA countries. Scholarships, cash transfers, and stipends improve enrollment outcomes. Improving conditions for menstrual health and hygiene and reducing GBV can keep girls in school. Empirical evidence demonstrates that well-designed **social protection** investments close gender gaps in human capital; promote women's access to jobs, assets, and entrepreneurship opportunities; provide opportunities to strengthen women's leadership and agency; and shift harmful social norms and behaviors.

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[28] The issues in this section reflect elements raised in a paper on inequality prepared for IDA21 by Germany, Belgium, Latvia, Italy, Denmark, and Norway.

b. **For *'Planet'***, women are essential to forging a more sustainable and resilient future**.** This includes creating and adopting climate change solutions on farms, in businesses, at home, and in nature.[29] Women's participation in decision-making strengthens integrated approaches to gender and climate goals, community services, and resilience to climate shocks and natural disasters. Engaging women in the preparation of contingency and emergency plans not only saves lives but can also transform community gender dynamics.[30]

c. Expanding and enabling economic opportunities for women will improve productivity and boost global ***'Prosperity'***. On average, countries stand to gain 20 percent of their GDP per capita if women are employed at the same rate as men. Addressing the ***'Digital'*** divide including in broadband internet use and leveraging digital assets and platforms to support access to opportunities (including finance) for women and men is key to shared prosperity. Investing in safe, reliable, accessible services (such as care, transportation) and ensuring sustainable, affordable, and accessible water and energy access also creates more economic opportunities for women.

d. Access to ***'Infrastructure'*** and infrastructure services has a significant impact on women's lives. For example, women and girls are up to four times more likely to spend their time gathering fuel. The absence of electricity restricts their ability to work and study. Safe, accessible transport is essential to ensuring women's access to economic opportunities. Lack of transport could reduce the probability of women working by 16.5 percent. While infrastructure investments could be gender neutral, they can exacerbate existing gender inequalities. Sex-differentiated impact on safety, economic empowerment, voice and representation, and resilience is relevant to IDA infrastructure investments' objectives to expand urban infrastructure and services and will be prioritized in IDA21.

46. **Other IDA21 lenses will consider how gender impacts development outcomes.**

a. Addressing challenges in ***'FCV'*** settings, including higher rates of GBV, economic hardship, and limited mobility, is often facilitated through partnerships with civil society and the private sector. Areas of focus include delivering essential services to protect human capital; enabling women's access to economic opportunities; sustain commitment and financial resources; engage women as leaders and agents of change to promote stability and peace; strengthening laws and regulations for gender equality; influencing attitudes, behaviors, and norms (including through formal and informal institutions and engaging men and boys); and understanding the intersectionality of vulnerabilities in FCV settings to inform GBV solutions.[31]

b. Creating opportunities for women to access ***'jobs'*** would significantly improve labor market outcomes and boost shared prosperity. Investments in education, care services,

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[29] ILO (International Labour Organization). 2015. "Gender Equality and Green Jobs." Policy Brief, ILO, Geneva. *(link)*

[30] Erman, Alvina, Sophie Anne De Vries Robbé, Stephan Fabian Thies, Kayenat Kabir, and Mirai Maruo. 2021. *Gender Dimensions of Disaster Risk and Resilience*. Washington, DC: World Bank. *(link)*

[31] Hanmer et al. 2024. "Increasing Gender Equality in Fragile, Conflict, and Violence Settings." World Bank, Washington, DC.

mentoring, skills development, and job training can help boost female labor force participation and access to productive jobs and assets. Better jobs for women lead to higher income and leadership opportunities. Investments in skills, technology, and financial inclusion and support to increase access to markets would unlock economic opportunities for female entrepreneurs and WMSMEs.

c. Development outcomes are improved through integrated public and ***'private solutions'*** and investments. The public sector can transform the structural conditions that drive inequality and also shift market incentives toward greater inclusion and equality. IFC has deepened and expanded its efforts on gender equality and inclusion by accelerating financial inclusion, making supply chains inclusive, and removing barriers to employment and leadership. IFC has developed and adapted gender-specific investment and advisory solutions with its private sector clients. This includes establishing the business case for gender equality, working on end-to-end solutions tailored to different contexts, using a variety of financing instruments to broaden private sector risk appetite and innovation (including leveraging blended finance and sustainability-linked finance), and building strong partnerships. In addition to private sector examples to address GBV and care, IFC partners through initiatives such as the Private Sector Window (PSW). In Yemen, for instance, they work with HSA Foods to create a more inclusive workforce and improve gender balance among its employees). MIGA is leveraging its guarantees and credit enhancement products to crowd in private sector financing opportunities that include commitments from private sector clients to increase gender equality. MIGA is leveraging partnerships across the WBG and beyond to deploy best practices and work with clients to identify strategic gender actions and opportunities. As a result, MIGA clients have committed to greater gender equity in leadership and the workforce, improved access to energy and digital services for women, and WMSME lending at scale. IDA's PSW has enabled four million loans to micro, small, and medium enterprises (MSMEs), of which 37 percent are to women-led businesses.

IV. MORE AND BETTER JOBS LENS

JOBS: Proposed Policy Commitments

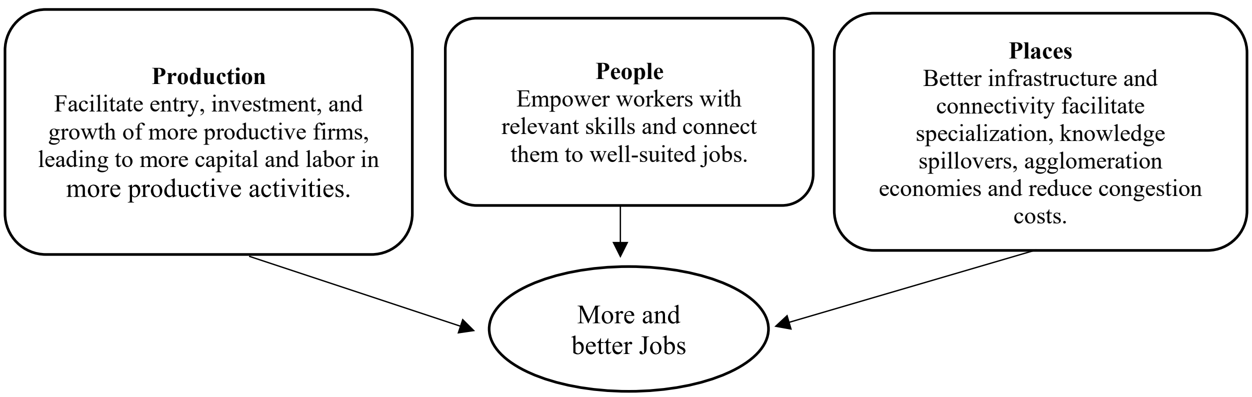
(3) Support the creation of more and better jobs, particularly for youth and women, in countries with the share of working age population in total population above average, through WBG financing engagements, knowledge, and technical assistance.

47. **Jobs are critical to poverty reduction, individual wellbeing, and social cohesion**. Labor income is the single most important driver of poverty reduction, but people in IDA countries earn very little from their work. The working-age population of today's IDA countries is set to double by 2050. Currently, one in every five workers in the global working-age population resides in IDA countries. By 2050, this proportion is projected to increase to one in every three workers, as the working-age population of today's IDA countries surges from one to two billion and remains

constant elsewhere. Increasing the overall share of workers engaged in more productive activities that yield higher pay in the face of this demographic shift will represent an enormous challenge. ***For women and youth, the challenge of finding productive employment is even more daunting and it requires special focus.***

*Among other things, **the Scorecard** will track the share of the working-age population in waged employment in IDA countries, as well as measure the millions of new or better jobs created through IDA support.*

Figure 4. 1. A Policy Framework for More and Better Jobs



Source: World Bank 2024(in progress) "Jobs for Development: Facts and a Framework for Policy".

48. **Experience shows that boosting productive employment requires coordinated interventions across the economy.** Productivity-enhancing policies to create more and better jobs fall into three dimensions: production, people, and places (see figure 4.1). Policies for **production** unlock constraints to expanded production by firms and to rapid productivity growth in order to raise the demand for labor, which in turn will increase earnings and employment. Policies for **people** foster the supply of skills over the lifecycle, beginning with investments to ensure strong foundational skills in childhood, extending to quality secondary, technical, and tertiary education, and beyond that to lifelong, on-the-job learning. Polices for **places** ensure that people and firms are able to locate in places where they can be most productive, and that the characteristics of places support enables productivity.

A. Lessons and Continuity from Previous IDA Cycles

49. **IDA20 extended its focus on the Jobs and Economic Transformation (JET) Special Theme, which was introduced in IDA18.** The primary objective is to mitigate job losses post-pandemic while also increasing the productivity of work. The JET agenda concentrates on establishing robust fundamentals that incentivize private sector investment and expansion. In line with the JET strategy, the IDA20 strategy outlined eight policy commitments in support of private investment; growth of sectors with potential for jobs and value addition; connectivity and integration; and the adoption of technology, innovation, and entrepreneurship. Seven out of eight IDA20 policy commitments under JET are either on track or surpassing their targets, as discussed in the *IDA20 Mid-Term Review Omnibus Paper*.

50. **An *Independent Evaluation Group (IEG) evaluation* assessing the relevance of the IDA jobs strategy and the extent to which it has been translated into well-designed and well-performing jobs interventions has important implications for IDA21 replenishment.** Since 2014, IDA has included jobs as a special theme, and subsequent IDA replenishments have had an "IDA jobs strategy," with explicit objectives, a series of policy commitments to achieve them, and results indicators to track them. The evaluation found that the design of most jobs interventions was well grounded in analysis (including impact evaluation), and projects adequately combined multiple interventions. The report also finds that the use of jobs-relevant development policy financing prior actions has increased steadily, yet they remain infrequent and have had an impact only in one-third of validated operations. On the result front, the evaluation notes that IDA's jobs strategy has not been successful in improving results measurement of jobs interventions—a shortcoming that is being remedied with the introduction of the new Scorecard that features a new indicator of more and better jobs with a robust methodology being developed to populate this indicator at the project level.

51. **Jobs strategies are more effective when other complementary factors are in place.** As a multisectoral agenda, it is appropriate to look at the country's broader development challenges and maximize policy coherence across complementary interventions—such as policies for production, people, and places—to expand the channels for productivity growth and better jobs. Policy interventions implemented in isolation may have a limited impact on the productivity of work. In many IDA countries the diseconomies of scale of domestic markets can be addressed through effective regional approaches and cross-border solutions on trade, market integration and harmonization of regulations to make it easier for private investors. These actions have proven effective in IDA20 and previous cycles and will be further strengthened through the proposed Regional and Global Solutions Window (RGSW) in IDA21. IDA's enhanced focus on jobs has led to a change in the mix of jobs interventions to focus on complementary measures. Moreover, the links between diagnostics and policy and investment financing interventions across countries could be strengthened.

52. **Effective jobs policies must be inclusive, particularly considering recent crises exacerbating poverty and inequality—especially for women, youth, and populations in fragile or conflict-affected countries.** The latest Development Committee paper emphasizes the need for targeted investments across IDA countries to address barriers such as lack of capital, low skills, and gender-specific challenges like restrictive social norms. Additionally, youth and first-time labor market entrants face obstacles like information gaps and limited access to networks and finance. People with disabilities encounter discrimination and workplace accessibility issues. Policies promoting inclusion will become increasingly vital amid ongoing technological and climate changes, as noted in the recent IDA Deputies Non-paper on Inequality.

53. **Policies aimed at fostering long-term productivity growth and job creation may entail short-term drawbacks, necessitating careful consideration when crafting effective jobs strategies.** For instance, transitioning away from fossil fuels toward renewables to mitigate the long-term impact of climate change on labor productivity could initially result in job losses. Therefore, transition policies are essential to assist workers in reskilling and securing employment in alternative sectors. For example, education programs should balance current labor market needs with the development of foundational skills essential for future jobs.

B. Way Forward and Expected Outcomes in IDA21

54. **The jobs agenda remains central to development**. Economic growth has the power to transform societies and boost average incomes as fast-growing firms drive economic growth and create better jobs. Economic distortions and misaligned incentives can undermine the growth process, hindering the growth of productive firms and the emergence of productive employment opportunities.

55. **Under IDA21, the links between analytics and policy and investment lending interventions will be strengthened in a coordinated way across sectors.** A key determinant of progress under the proposed policy commitment in IDA21 will be the requirement of strong WBG engagement with clients covering policy dialogue and operations. Moreover, medium-to long-run priorities will be accompanied by short-term policy measures to address new sources of vulnerability. To support reforms and investment that boost countries' productive employment prospects, IDA21 will address constraints across the three aforementioned pillars. IDA's enhanced focus on jobs has led to a change in the mix of jobs interventions to focus on complementary growth policies. For example, demand-side interventions such as business enabling environment, access to finance, and agriculture value chain support will be more prevalent. The revamped framework (figure 4.1) will be reflected in a more comprehensive approach to encompassing productivity-enhancing reforms into core analytical products—for example, the new Growth and Jobs reports (former Country Economic Memorandum) and Country Private Sector Diagnostics (CPSDs). The policy recommendations of these analytical pieces and others will serve as anchors for more robust policy and investment lending operations. Significant emphasis will be placed on the coordination of IDA engagements across sectors at the country level with the lens of jobs.

56. **Growth and jobs strategies in IDA countries will focus on creating conditions for productive firms to expand, hire more, and offer higher wages while also harnessing emerging technologies to explore new economic opportunities for people, especially women and youth.** In IDA countries, there is a clear need for supporting policies aimed at stimulating firm entry, enhancing the productivity of existing firms, and facilitating the orderly exit of unproductive firms. Therefore, measures to facilitate investment, improve access to debt and equity financing, and deploy financial support programs to de-share risk in a way that supports MSMEs—including through innovative approaches, fostering technological adoption, and promoting innovation—will remain a top priority under IDA21. Furthermore, the emergence of new technologies, online platforms, and digitization will increasingly enable novel contractual arrangements that transcend the traditional employer-employee relationship based solely on wages. Understanding the impact of these new forms of work on the dynamics between workers and firms will be as crucial as ensuring that countries capitalize on the opportunities presented by these new technologies, making it a priority in IDA21.

57. **The growth and jobs challenge in IDA countries will become more daunting as the effects of climate change intensify and mitigation and adaptation strategies become imperative.** Key employment sectors in IDA countries, such as agriculture, are particularly vulnerable to the impacts of climate change, including extreme weather events and shifts in precipitation patterns. Moreover, the transition to a low-carbon economy will necessitate significant investments in renewable energy and green technologies, which could strain

government budgets and escalate the demand (and costs) for scarce technological capabilities. Therefore, IDA21 will prioritize growth and job strategies that simultaneously foster resilience to climate-related risks, promote the adoption of less carbon-intensive technologies, and expedite the transition to cleaner energy sources. This will entail aligning learning curricula and skills development initiatives with the competencies and knowledge essential for achieving a green transition. It will also entail an enhanced effort to support firms, especially smaller ones, in accessing financing for mitigation and adaptation, and to develop insurance markets, which are critical for adaptation.

58. **Moreover, the ongoing debt crisis that has engulfed many IDA countries exerts a profound impact on growth prospects.** High levels of debt often necessitate stringent austerity measures, including cuts to public spending and social programs. These measures can result in reduced investment in infrastructure, education, and healthcare—key drivers of employment opportunities. Moreover, the uncertainty surrounding debt repayment can deter foreign investment and access to credit, further impeding economic expansion and job growth. In this context, the ongoing debt crisis in many IDA countries not only undermines their ability to address unemployment and underemployment but also perpetuates cycles of poverty and inequality. Under IDA21, effective debt restructuring, coupled with supportive policies aimed at promoting sustainable growth and employment—including by encouraging domestic and foreign investments—will be essential to mitigating the adverse impact of the debt crisis on productive jobs creation and fostering inclusive development in these nations. The growth and jobs agenda are doubly important for countries with high debt levels, as it enables them to grow out of debt.

59. **Progress on the jobs agenda in IDA21 will be measured in the new Scorecard through a new indicator on the *"number of new or better jobs"* resulting from WBG Operations.** The previous Scorecard indicator on jobs had a narrow focus on counting the beneficiaries of jobs-focused interventions of World Bank operations. The introduction of the new Scorecard indicator marks a significant shift in how project impacts on job outcomes are measured. It emphasizes direct and indirect impacts of World Bank operations on more and better jobs that pay more. This enhancement enables reporting on job impacts of financial sector operations, and private sector investments, as well as the impacts of infrastructure projects and policy financing in the Scorecard. By developing harmonized methodologies, the indicator aims to standardize reporting across different agencies of the World Bank (IDA, IBRD, MIGA, and IFC) and to enhance coordination with donors, other MDBs, and development stakeholders. Investments will also be made to improve the WBG's capacity for results measurement, as well as in client countries.

60. **The Jobs Lens is crucial for implementing the "One WBG" approach, aiming to leverage policy reforms and public sector finance to attract more private capital.** Private investment is key, facilitated by IFC's investments, advisory services, and analytical and diagnostic work, which enhance employment by clients, and SMEs' access to finance, enable large firms to expand, and foster economic linkages. MIGA's guarantees further stimulate foreign investments and lending in IDA countries, safeguarding investors against noncommercial risks, fostering direct and indirect job creation by enhancing credit access for SMEs, and supporting investments in digital, infrastructure, manufacturing, agriculture, and services sectors.

61. **To support reforms and investment that boost countries job creation prospects, IDA21 will adopt an organizing framework that will facilitate a jobs lens in policy making (figure 4.1).** This framework will address constraints across three pillars: Production, People and Places.

62. **First, policies for *Production* addressing labor demand-side constraints stemming from a lack of dynamism and productivity growth in the private sector:** The demand for labor depends on the demand for goods and services in an economy and internationally. Policies that alleviate barriers to expanded production by firms and farms and foster rapid productivity growth are vital for boosting labor demand and will be a key priority in IDA21. This includes improving access to markets (both domestic and global), removing inefficient regulatory barriers for domestic and foreign players, promoting competition in an open market environment, ensuring property rights and the rule of law, enhancing access to debt and equity financing. In addition, there should be a concerted effort to enhance agricultural incomes and productivity of microenterprises through productive inclusion policies to ensure inclusivity of poorer households and address gender disparities. This should be combined with support initiatives addressing occupational segregation, which often restrict women and WSMEs from entering fast-growing and highly productive sectors. By focusing on market failures, these initiatives can ensure that these policies do not disincentivize labor reallocations sectors, places, and occupations.

Box 4. 1. Enhancing MSME Financing

Financial access constraints on micro, small, and medium enterprises (MSMEs) hinder job creation in International Development Association (IDA) countries. MSMEs represent more than 50 percent of the employment in emerging markets and developing economies (EMDEs), yet constraints on access to finance are a key factor limiting their productivity. The credit gap for MSMEs in IDA countries was estimated at $2.1 trillion compared to $79.5 billion for low-income countries (LICs), both as of 2019. The equity gap is even starker and hinders entrepreneurship and innovation. Recent World Bank research shows that removing the constrains that hinder small and medium enterprise (SME) financing could result in productivity gains of up to 86 percent in middle-income countries (MICs), with the largest gains observed among MICs with the lower levels of GDP per capita. Data limitations prevented the inclusion of LICs in this exercise, but the findings should also hold. See forthcoming Productivity Flagship.

63. **Reforms that catalyze more investment by the private sector are a pivotal aspect of *Production* policies.** Both domestic and foreign private investment play a crucial role in enhancing the productive capacity of firms. They bring in capital and expertise necessary for firms to adopt more efficient technologies and tap into global value chains, thereby achieving economies of scale. These investments also drive up the demand for labor, leading to the creation of higher-paying jobs. Yet, FDI in IDA countries has been modest, accounting for only 1.7 percent of the world's total inflows over the last decade. Concerted policy efforts are needed to attract more private investment, including financing for MSMEs. These actions should focus on removing barriers for new entrants and greenfield FDI, encouraging investments in productive technologies, ensuring market contestability, and simplifying insolvency frameworks to facilitate the exit of less productive enterprises, as well as enhancing MSME financing (box 4.1).

64. **Second, policies for *People* addressing labor supply-side constraints arising from insufficient investments in relevant skills and human capital accumulation and utilization in the economy:** The accumulation of human capital allows economies to draw on an increasingly more skillful and healthier workforce. Activities that are more skills-intensive and require a steady supply of healthy labor (as opposed to seasonal activities such as agriculture) become more feasible, opening new paths of transformation in work. Similarly, human capital investments boost occupational choices, the employment opportunities that workers face in the labor market, and their earnings. Education policies that ensure strong foundational skills in childhood; facilitate access to quality secondary, technical, and tertiary education; and address barriers to lifelong on-the-job learning within firms will be a key element in IDA21. In addition to long-term investments in human capital, policies for People also need to address failures in the labor market though active labor market programs in the form of employment services (counseling, intermediation, and job-search assistance), training, and general support to the self-employed. Efforts will be given to support and evaluate best practice programs and integrate them into government systems so that they can be brought to scale.

65. **Third, policies for *Places* addressing labor and land market frictions and limited accessibility to markets that create inefficiencies leading to a suboptimal labor allocation across activities and places:** IDA21 will focus on complementary efforts that reduce frictions and distortions in the labor market to maximize investments and reform efforts on both the labor demand and labor supply sides, On the one hand this includes appropriately flexible employment regulations that allow workers both to transition to work in firms and to move between firms. On the other hand, it involves ensuring that people and firms have the infrastructure (for example, physical, and digital), information, security, and resources to allow them to move to places where they are most productive. For example, reducing the costs of rural-urban migration can boost rural incomes, a channel important for reducing poverty. IDA21 interventions under the *'Jobs'* lens will be geared toward achievement of Scorecard outcomes in IDA countries. The IDA21 policy commitment will complement the Scorecard: *Support the creation of more and better jobs, particularly for youth and women, in all IDA countries with the share of working age population in total population above average, through WBG financing engagements, knowledge, and technical assistance.*

66. **The following policy commitment is proposed for IDA21**: ***Support the creation of more and better jobs, particularly for youth and women, in countries with the share of working age population in total population above average, through WBG financing engagements, knowledge, and technical assistance.*** A key determinant of progress under the proposed policy commitment in IDA21 will be the requirement of strong WBG engagement with clients covering policy dialogue and operations.

Jobs

IDA21 will support the creation of more and better jobs, particularly for youth and women, in all IDA countries with the share of working age population in total population above average, through WBG financing engagements, knowledge, and technical assistance.

C. Linkage with the Knowledge Compact

67. **The *'Jobs'* Lens within IDA21 draws on key elements of the Knowledge Compact, including the focus on core diagnostics, robust analytics and tools, and investment in data and knowledge frameworks to inform policies and investments.** To foster the creation of higher-quality jobs for workers, policymakers require adaptable diagnostic toolkits that enable them to formulate tailored policy responses across diverse contexts, while considering complementary measures across both factor and product markets. Furthermore, recent advancements in technology, notably the rapid progress in artificial intelligence, present significant opportunities to transform the implementation of policy solutions on the ground. A robust knowledge framework capable of translating ideas into tangible outcomes and determining the most effective strategies within specific contexts is essential to harnessing more traditional forms of support through financing and investment.

D. Linkage with Other IDA21 Priority Areas

68. **Applying the *'Jobs'* Lens to the '*Infrastructure'* and *'Digital Transformation'* Focus Areas includes bearing in mind the ways in which infrastructure investments can connect people to jobs and digital development can connect digital skills to jobs**. In Africa alone, around 450 million people face a lack of accessibility and mobility due to missing transport infrastructure and systems, particularly in rural areas. In urban areas, where an additional two billion people are expected to be living by 2045, growth in population and vehicles outstrips growth of sustainable urban transport. Addressing urban transport systems, urban services, and housing is a necessary component in improving accessibility to jobs. Digital skills will be required, for example, by 50–55 percent of all jobs in Kenya and 35–45 percent of all jobs in Côte d'Ivoire, Nigeria, and Rwanda by 2030 with a substantial share of the demand for digital skills coming from enterprises adopting digital technologies (World Bank and IFC, 2021).[32]

69. **Gender considerations play a crucial role in optimizing the job potential of policy efforts and investments and will remain a priority in IDA21.** Better jobs for women lead to higher income levels and more decision-making influence. However, female labor force participation remains low in many IDA countries. Restrictive social norms and the limited availability of child and elder care services often prevent women from participating in the workforce. Even if these barriers are surmounted, the lack of safe transportation, limited access to capital, and limited access to networks in male-dominated sectors prevent women from working in higher productivity jobs. Addressing barriers to employment, and access to finance and other assets (such as technology and markets) and investing in the provision of quality childcare services and safer transport systems can boost returns to women's human capital by supporting their entry into higher-wage and often male dominated sectors. Enhancing governments' efforts to collect gender-disaggregated data is critical to the design of effective policies, as is working with private sector partners.

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[32] World Bank. Demand for Digital Skills in Sub-Saharan Africa : Key Findings from a Five-Country Study - Côte d'Ivoire, Kenya, Mozambique, Nigeria, and Rwanda (English). Washington, D.C.: World Bank Group. *http://documents.worldbank.org/curated/en/099614312152318607/IDU0b36e9e030767f0417e0afb806e2ffdf1e8bf*

70. **In FCV-affected economies, the focus of the jobs agenda will revolve around policies tailored to immediate needs while acknowledging the existing limitations.** The challenges in FCS contexts necessitates a different blend of policies, extending beyond the imperative of restoring stability. The focus should be on investments to meet urgent job requirements, facilitate a return to stability, and counteract the depletion of physical, human, and organizational capital resulting from conflict. Realism regarding achievable outcomes is paramount, as is the prioritization of efforts. Policy and investment decisions may often entail incremental steps, such as initiatives to mitigate predatory informal taxation rather than comprehensive financial management reforms. In other cases, such as access to finance, programs might require more careful design, as they might require more use of blended or even concessional financing.

V. PRIVATE INVESTMENT LENS

PRIVATE INVESTMENTS: Proposed Policy Commitments

(5) Support countries to implement regulatory and institutional reforms addressing critical impediments to private investment as identified by WBG diagnostics and / or provide direct support through WBG engagements.

(6) Support development of domestic capital markets by addressing critical impediments identified in WBG diagnostics.

71. **IDA21 will ramp us its country engagement to enable and mobilize more private capital and strengthen private sector development.** Enabling and mobilizing private capital, and supporting private sector innovation, is a One WBG priority and requires a multifaceted approach that combines improving the regulatory framework for investments, developing domestic capital markets while enhancing stability, and putting in place cost effective risk mitigation mechanisms. Progress will be tracked through the new Scorecard (Indicators number 21 and 22). Specific institution-wide actions which will benefit IDA clients include revamped core analytics through the Growth and Jobs Report and the CPSDs. The financing mechanisms have also been improved through the newly established WBG Guarantee Platform, which will offer risk mitigation options and mechanisms to support investment.

*Among other things, **the Scorecard** will track private investment as a percentage of GDP in IDA countries and measure the $ billions in total private capital mobilized through IDA interventions.*

72. **Reversing the massive toll of the multiple crises of the past four years on IDA countries requires ambitious policies and higher levels of investments**. Various conflicts, a sharp increase in global inflation, a tightening in global financial conditions with rising interest rates are all undermining investment prospects. Sovereign spreads for IDA countries increased markedly relative to other EMDEs. External financial flows to these countries also fell in 2022. In the near term, growth in IDA countries is expected to remain subdued, with 2020- 24 set to be the

weakest half-decade of growth since the early 1990s. Creating the conditions to accelerate private investment growth hinges on the implementation of comprehensive regulatory and policy packages, supported under IDA21 with a strong support by the global community.

73. **IDA21 encompasses more ambition on Private Capital Mobilization (PCM) and Private Capital Enabling (PCE) (box 6.1)**. The private investment agenda will catalyze IDA21 priorities by magnifying the effects on the provision of infrastructure, enabling a clean energy transition, supporting digitalization, deepening domestic financial sectors, and ultimately creating more and better jobs. Enabling PCE and catalyzing PCM will be a priority in IDA21, including through WBG participation in the GCPs. The **first proposed policy commitment** will support the acceleration of PCE by tightening the link between analytics and the support for implementation of regulatory and institutional reforms to remove inefficient or distorting impediments to private investment and to de-risk investments and trade. The **second proposed policy commitment** will support both PCM and PCE to accelerate domestic capital market development, supported by WBG analytics.

74. **This chapter lays out the proposed WBG approach to enhance private investment in IDA countries, building on important lessons:** (i) mobilizing private capital takes time and innovative tools for de-risking; (ii) economy wide and sector specific institutional, legislative, and regulatory reforms are key to unlocking private financing including through the successful deployment of de-risking and other interventions, hence sequencing is critical; (iii) tailoring WBG instruments/interventions is needed to address distinct challenges faced by various investor types; and (iv) technical assistance that builds the capacity of governments to deliver enabling reforms and mobilization of private capital is essential, including sharing successful approaches and investment models from other IDA and MICs.

75. **The IDA21 strategic framework for accelerated private investment seeks to (i) support economy-wide and sector-specific regulatory reforms and other enabling activities needed to unlock private capital, and (ii) help channel private capital, leveraging WBG instruments.** Within the IDA21 framework, the WBG will intensify efforts to assist national authorities in enhancing existing market regulations across four channels (figure 5.1) and establishing new markets conducive to attracting private investment, thereby stimulating productivity growth and improved employment opportunities. Additionally, ensuring that people have the skills and access to take these opportunities requires a broader framework focusing not only on production but also including policies enabling people and places as outlined in the companion IDA21 paper on Jobs.

76. **The framework recognizes that in many IDA countries informal or microenterprises are the primary source of economic activity and employment**.[33] Private firms are diverse, ranging from MSMEs to multinationals—with their distribution and constraints varying across countries. The long-term growth performance of lower income countries crucially depends on the expansion of the formal economy—mirrored by a gradual reduction of the informal economy.[34] In

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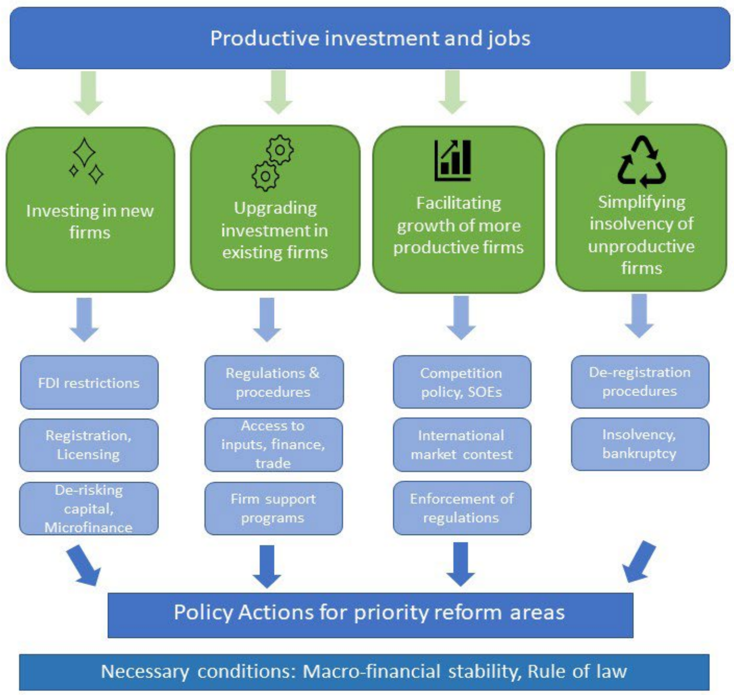
[33] In Sub-Saharan Africa, more than 80 percent of all jobs are in microenterprises, mostly household enterprises or one-person businesses. In Latin America and the Caribbean, the share is closer to 50 percent.

[34] While unregistered firms can avoid business regulation and taxes, this comes at the expense of forgone access to formal markets and inputs undermining their productive potential.

countries where informality is high, regulatory, and other entry barriers may not have discouraged entrepreneurship as such but rather the mode of entry. Indeed, many of the barriers to entrepreneurship and formalization are similar.[35,36] Promoting the entry and growth of young formal firms is thus a key policy priority in IDA countries.

Figure 5. 1. The Four Policy Channels Enabling Productivity Growth and Investment



A. Lessons and Continuity from Previous IDA Cycles

77. **Under IDA20, the JET policy commitments sought to mitigate the enduring impacts of COVID-19 on the labor market through targeted efforts**. While the implementation of JET operations demonstrates good progress on all policy commitments, this process revealed important lessons which could enhance delivery in future IDA replenishments. The section below discusses the main lessons drawn from JET IDA20 policy commitments to inform the IDA21 policy commitments on private investments**.**

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35 Direct barriers to incorporation or formalization include regulatory constraints preventing market entry of certain firms or setting exceedingly high entry requirements; inefficient business registration procedures (or the inefficient implementation thereof); lack of access to finance to sustain the initial set up costs; regulatory uncertainty (or enforcement thereof). However, as potential entrepreneurs anticipate the future net benefits of opening a business, any factor reducing their potential operating gains also reduces their incentive to set up a new firm.

36 Loayza, N. V. (2016). Informality in the Process of Development and Growth. The World Economy, 39(12), 1856-1916

78. **First, despite several policy commitments supporting private sector development in recent IDA cycles, there has been limited progress on PCM, demonstrating the complexity of the agenda.** In the past three IDA cycles, [14] policy commitments were directly contributing to the private investment agenda and most of them were fully or largely implemented. These commitments have involved implementing business environment reforms, interventions aimed at removing constraints in sectors with high growth potential and providing targeted support to firms to aid their recovery from the pandemic. Additionally, IDA has increased its support to financial sector reforms, recognizing it as a primary facilitator of private-led growth. Across many countries, policy support has been directed towards financial inclusion strategies, enhancing resilience among households and firms, supporting MSME, and facilitating long term financing for sectors such as housing. Yet, the PCM performance of IDA over the past three IDA cycles has largely been stuck in a low-level equilibrium—with only around [three percent to five percent] of PCM mobilization ratio for IDA, while IBRD has had a much higher figure. IFC has mobilized $7.7bn[37] so far in IDA20 and is the largest contributor to mobilization in LICs. Most of the IDA PCM was delivered from non-guarantee Investment Project Financings, without much recourse to guarantees, even if several PCM IPFs used alternative de-risking components. Reaching PCM in IDA countries has also been difficult because of higher public sector priorities, elevated risks and adverse macroeconomic conditions making the usage of market finance (or requiring more as compensating subsidies) more difficult and limiting the number of eligible national/regional development banks (as IPF counterparts). From IDA20, the WBG learned that the most effective method for increasing PCM in IDA countries is through de-risking tools and blended finance is also particularly needed for project-level de-risking in these IDA countries.

79. **Second, initiatives focused on broad market reforms and building institutional capacity in IDA countries have been important for the private investment agenda**. In IDA20, the WBG intensified efforts to combine broad market reforms and project-level concessionality. In the absence of business enabling reforms that mitigate risks, concessionality is less likely to increase investors' confidence in local markets. By pursuing ambitious regional models and utilizing scalable and modular operational designs, countries can efficiently address gaps in multiple areas simultaneously, leading to more effective policy outcomes. Similar approaches, such as those employed under JET Policy Commitment 1, Supporting resilient financial systems recovery, have yielded positive results through regional initiatives and advisory services.

80. **Third, IFC's Upstream and Advisory Program is central to the WBG's broader efforts in supporting sector-level reforms to unlock investments and build capacity in IDA-FCS countries.** This has helped increase the pipeline of bankable projects from US$7.9 billion in June 2021 to $11.4 billion in December 2023, driven particularly by pipeline development in Africa. The concerted effort to deliver investments is supported by Advisory work, with delivery in IDA countries through IFC's Advisory projects at 54 percent and FCS delivery at 28 percent by June 2023.

81. **Fourth, the links between sound analytics to reform and project prioritization and strategy development has proven instrumental in navigating crises and addressing emerging challenges**. Tools such as CPSDs have enabled countries to identify opportunities and address

[37] This refers to core mobilization and includes third party commercial and DFI; but not IFC own account or sponsor funds.

underlying constraints effectively, leading to more targeted interventions and improved outcomes at the sectoral level.[38] The new Growth and Jobs Report (former Country Economic Memorandum) and the CPSD 2.0 as integral parts of WBG core diagnostics, will identify cross sectoral and sector specific constraints, respectively, to private sector growth and development and will inform WBG operations. During IDA21, leveraging the work being undertaken on the Knowledge Compact, attention will be given to ensuring that the diagnostics better inform preparation of country engagement products and IDA operations.

82. **Fifth, IDA PSW has demonstrated the value of WBG collaborative efforts to attract private investment in IDA countries despite the challenging environment and declining FDI**. Despite the deterioration in the global economic outlook in recent years, IDA PSW continued to play an important part of IDA architecture in line with the WBG's greater focus on scaling private investment in IDA and FCS countries. Since inception and as of March 2024, $4.8 billion of PSW approvals have supported IFC and MIGA leveraging $24 billion of additional capital into eligible markets. While at the IDA20 MTR, JET Policy Commitment 2 was not met, the absolute volumes and project counts have increased, and overall IFC own-account LTF volumes in PSW eligible countries increased faster, by 21 percent during FY18-FY23 compared to FY12-17. PSW has contributed to 288 investments in 50 countries, with more than a quarter in FCS, such as the Solomon Islands, Somalia, South Sudan, and Yemen. MIGA also issued its first guarantees in over a decade in Burkina Faso and Liberia, and its first ever in Somalia and the Solomon Islands. In IDA20, PSW primarily served to generate a viable risk-return for MDBs/Development Finance Institutions (DFIs) and was rarely deployed to benefit private investors. This de-risking is not targeting MDB/DFI returns as well but reducing the risk or adjusting the risk/return trade-off to allow these transactions to proceed. By following the principle of minimum concessionality, IFC and MIGA have learned how to ensure that the smallest amounts of PSW are used to achieve an affordable cost of financing for the project to proceed with an acceptable risk-return structure for co-investors to undertake higher risk projects that they would otherwise avoid.

Box 5. 1. Lessons Learned of for Private Sector Development in FCS

The Mid-Term Review (MTR) of the *World Bank Group's Strategy for Fragility, Conflict and Violence (FCV) 2020-25* (World Bank 2023) reaffirmed that WBG is critical to supporting private sector development in FCS contexts. The MTR also identified the areas of focus for the remainder of the strategy period: (i) increasing the number of bankable projects through one-WBG approach including IBRD/IDA policy reforms; (ii) support the domestic private sector, including SMEs, which are critical to resilience and job creation; (iii) focus on regional approaches given spill-over effects of conflict (for example, forced displacement) and transboundary challenges that both drive and intensify fragility (for example, climate change); (iv) need for additional blended finance resources, in particular for FCV-affected MICs and (v) enhanced diagnostics to strengthen conflict sensitive approaches to private investment.

[38] By conducting comprehensive analyses, countries can pinpoint specific barriers to private sector development and tailor interventions for maximum impact. For example, in the Democratic Republic of Congo (DRC), a Development Policy Financing (DPF) operation targeted critical policy issues across various sectors, including state-owned enterprises (SOEs), mining, forestry, energy, and telecommunications. This approach, informed by the DRC CPSD, and complemented by sector focused WBG operations reflects a strategic alignment of program design with thorough diagnostics, ensuring that interventions address key challenges facing the private sector.

83. **Finally, the adoption of regional approaches has proven effective in leveraging diverse expertise and resources across regions**. IDA regional projects have started delivering on the private investment agenda. By utilizing regional lending windows and coordinating with Regional Economic Communities (RECs), countries can benefit from scale benefits in financing, shared knowledge and support tailored to their specific contexts. Additionally, partnerships with regional statistical training centers of excellence further enhance capacity-building efforts, ensuring countries have access to high-quality data for informed decision-making. Given the shallow financial sectors in many IDA countries, further exploration of opportunities to work with regional development banks would be explored in IDA21 including through IDA guarantees - building upon the experiences with West African Development Bank (BOAD) and Trade and Development Bank (TDB) in Africa.

B. Way Forward and Expected Outcomes in IDA21

84. **Under the *'Private Investment'* lens, IDA21 sets impactful policy commitments with the new Scorecard as the line of sight.** The indicators of the Scorecard set a clear direction and present an opportunity to simplify IDA results monitoring while enhancing its outcome-orientation. The proposed policy commitments will act as strategic milestones for steering IDA countries towards the greater realization of Outcome Area 15 "More Private Investment" through the PCM and PCE results indicators.

85. **Reflecting the multidimensionality of the constraints to private investment in IDA countries, the WBG will apply a comprehensive engagement approach including through leveraging the IDA PSW**. This includes: (i) identifying policy constraints to private sector-led growth at the sector level through stronger analytics, notably CPSDs; (ii) helping to lift those constrains by supporting regulatory reforms including through policy based financing and technical assistance; (iii) developing bankable projects; (iv) deploying the full suite of WBG instruments to achieve the transformational objective of enablement and mobilization of private capital, including through the WBG guarantee platform; (v) building capacity of the domestic private sector; and (iv) deploying financial de-risking instruments that are most appropriate for market conditions and meet market demand. The approach will leverage the shared Country Managers between the Bank, IFC and MIGA to support a better coordinated policy reform agenda.

86. **WBG institutions have committed to harmonize their PCM and PCE measurement methodologies, introducing greater transparency in alignment of their products, interventions, and investments with a focus on PCM and PCE.** The joint reporting for the Scorecard provides a mechanism to reinforce such commitment and prioritization by all institutions.

87. **Renewed Partnerships with other MDBs and DFIs is a testament to the significant importance of private capital facilitation to augment the development financing envelop.** MDBs and DFIs have recently renewed their partnerships with the key objectives of: (i) strengthening the harmonization of their measurement methodology approaches and through joint reporting on PCM which started in 2017; (ii) developing a harmonized approach to measuring and reporting PCE; (iii) strengthening partnerships to tackle underlying economic development challenges facing private investors; and (iv) scaling up joint financing, building on each

organization's strengths. The WBG will continue to play a leadership role in coordinating with other MDBs to galvanize efforts around private investment priorities in IDA countries, including via knowledge products and leveraging new partnership approaches such as the joint WBG and African Development Bank (AfDB) Group initiative to provide at least 300 million people in Africa with electricity access by 2030, and the just-announced new Co-Financing Platform.

88. **The Private Investment Lens in IDA21 is at the core of the new Scorecard which will include two new indicators *"$ billions in total private capital enabled"* and *"$ billions in total private capital mobilized"* resulting from WBG Operations.**

89. **The following policy commitments are being proposed**: (i) ***Support countries to implement regulatory and institutional reforms addressing critical impediments to private investments as identified by WBG diagnostics and/or provide direct support through WBG engagements***; and (ii) ***Support development of domestic capital markets by addressing critical impediments identified in WBG diagnostics***. Several PCs are intended to intensify IDA's engagement and should be seen in the context of the overall WBG engagement in those areas. The first policy commitment will apply to all IDA countries, while the second policy commitment will apply to at least one-fourth of all IDA countries. This will build upon the progress made with JCAP, including potential in countries such as Kenya and Bangladesh. A key determinant of progress under the proposed policy commitment in IDA21 will be the requirement of strong WBG engagement with clients covering policy dialogue and operations.

Business Environment
IDA21 will support countries to implement regulatory and institutional reforms addressing critical impediments to private investment as identified by WBG diagnostics and/or provide direct support through WBG engagements.

Financial Sector Deepening
IDA21 will support development of domestic capital markets by addressing critical impediments identified in WBG diagnostics.

C. Linkage with Knowledge Compact and Global Challenge Programs

90. **As part of the Knowledge Compact, the WBG's core analytics have been updated to help shape country engagement.** The suite of core diagnostics now includes a revised CPSD or CPSD 2.0, which provides opportunities within economic sectors for accelerated investment and private capital mobilization, and the revamped Country Growth and Jobs report (formerly Country Economic Memorandum) to help address broad-based/cross-cutting sustainable growth policies and job creation. As part of this update of core diagnostics, other tools are being revamped.

91. **The six GCPs provide significant opportunities for using WBG synergy and attracting private investments as a result of their integrated public-private sector solution offering.** Specific opportunities are being explored as the operations under the GCPs are prepared for delivery in IDA21.

D. Linkage with Other IDA21 Priority Areas

92. **Reforms that enable more investment by the private sector are key to creating more and better jobs and are thus directly linked to the IDA21 Jobs lens.** Private sector investment plays a crucial role in increasing the number and proportion of jobs within well-capitalized and productive firms in IDA countries. Absent these firm-enabled jobs, it becomes challenging for workers to augment their skills with both tangible and intangible capital and capitalize on skills complementarity with other workers. Inadequate private sector investment is thus a key reason why labor in developing countries often remains underutilized, leading to high levels of involuntary self-employment and a prevalence of informal work arrangements, which ultimately dampen workers' productivity, depress labor earnings, and are a key driver of poverty.

93. **The private investment agenda in IDA21 is closely connected to the IDA21 *'Fragility'* and *'Gender'* lenses.** WBG's efforts to advance engagement with the private sector, through WBG-wide Risk and Resilience Assessments (RRAs), increased focus on the domestic private sector in FCS, and through continuation of IDA-PSW priorities, complement the objectives of the policy commitments under the IDA21 '*FCV*' lens (see Section VI). The WBG's efforts to increase private investment are aligned with the objectives of the proposed 2024–2030 WBG Gender Strategy to advance gender equality in IDA countries, particularly for economic opportunities and access to services, complementing the policy commitments in the IDA21 Gender lens (Section III).

94. **The WBG's efforts to promote private investment complement the policy commitments in the five IDA21 focus areas.** The use of IDA guarantees, credit enhancements, fund investments, and matching grants holds significant potential to boost IDA's leverage, including in the focus areas of *People, Prosperity, Infrastructure* and *Digital*, and *Planet*.

a. The ***'Prosperity'*** focus on promoting policies aimed at facilitating economic growth and job creation, effective macroeconomic management, trade and competition policies and access to finance will have a multiplier effect on realizing the private investment objectives of IDA21.

b. Private investment needs to modernize and adapt ***'Infrastructure'* and *'Digital'*** services, including facilitating the energy transition, are key priorities in IDA countries. This will require a significant increase in financing, with a substantial share expected to come from the private sector. Governments will need to improve the investment climate to enable and mobilize this private finance.

c. The Private Investment lens can help incentivize and remove barriers for attracting funds to IDA countries in the ***'Planet'*** focus areas, particularly for climate finance initiatives. In addition, agricultural operations could realign incentives to encourage private sector investment in the sustainable transformation of food systems, through improvements to the enabling and regulatory environment.

d. The Private Investment lens is also critically linked to the ***'People'*** focus area**:** Skilled workforce is a key enabler for private investments. The private sector is a major provider of healthcare personnel, educational materials, and other critical social services inputs in IDA countries.

VI. BETTER LIVES FOR PEOPLE IN FRAGILITY, CONFLICT, AND VIOLENCE LENS

FRAGILITY, CONFLICT AND VIOLENCE: Proposed Policy Commitments

(4) CPFs/CENs for IDA FCS and FCV Envelope countries will have strategic objectives that reflect how the WBG program, in collaboration with relevant partners, will help address FCV drivers and sources of resilience based on Risk and Resilience Assessments (RRAs) or other FCV diagnostics.

95. **The WBG's ability to deliver its mission will increasingly depend on its impact in FCV-affected contexts, which are expected to be home to 60 percent of the world's extreme poor by 2030.** As highlighted by the recent MTR of the WBG FCV Strategy, the WBG has come a long way in tailoring its support to countries impacted by FCV, including on policies, processes, practices, programming, personnel, partnerships, and financing. As poverty continues to concentrate in FCS, so must the WBG continue to tailor its efforts to ensure its financing is impactful on the ground with a view towards supporting prevention further upstream in highly complex environments.

*Among other things, **the Scorecard** will track the number of extreme poor living in FCS and measure the millions of displaced people and people in host communities provided with services and livelihoods through WBG support.*

96. **IDA's financial support to FCS tripled between IDA17 and IDA19, as part of a wider WBG response.**[39] The WBG has leaned forward to provide financing that reflects the size of the challenge and the dire needs of impacted populations, cognizant of the risks of providing additional volumes to countries with low capacity, high political instability, and/or significant insecurity. As additional financing through the FCV Envelope deviates from the incentives built into IDA's performance-based allocation (PBA), IDA21 will need to continue to look for the optimal level of financing to address the issues that drive FCV while safeguarding the fundamental principles of the PBA. Improving delivery and ensuring impact on the ground in FCS as well as calibrating the exceptional financing flows for FCS will be key in this endeavor.

97. **This chapter lays out the orientation for the FCV Lens in IDA21 as well as reflects on IDA's recent efforts to address FCV more broadly, surfacing lessons and proposing enhancements to IDA's FCV financing toolkit**. The dual nature of this chapter allows it to circle back to the commitment made at the IDA20 MTR to assess the management of the FCV Envelope and discuss whether it can be tailored further to ensure that resources can be employed where needs are higher, with efficient implementation.[40]

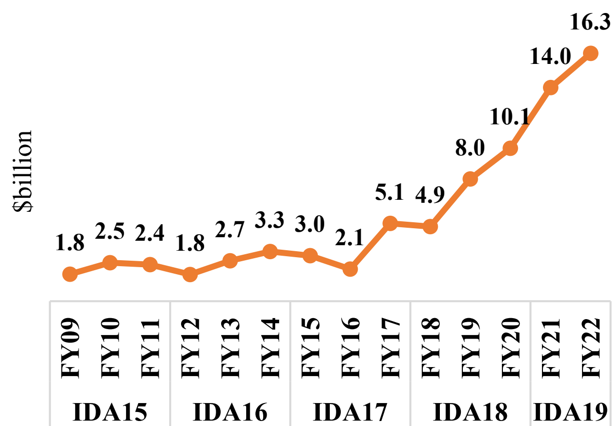
[39] See the WBG FCV Strategy for the full set of measures.

[40] IDA20 Mid-Term Review: Update and Issues for Discussion (Omnibus Paper).

A. World Bank and IDA Support to FCS

98. **FCV has been an IDA Special Theme since IDA15 and has increased in ambition over subsequent cycles.** Over IDA17 and IDA18, financing to IDA FCS increased substantially, and new allocations[41] were introduced to incentivize prevention and support transitions out of fragility. Decentralization of staff and focus on partnerships, including with partners around the humanitarian, development, and peacebuilding nexus, have been key priorities. IDA19 and IDA20 sought to boost FCV-sensitivity in country engagement products[42] for IDA FCS based on RRAs and FCV analytics, strengthen regional approaches to FCV issues, and encourage policy reforms related to refugees. Going even further, IDA20 introduced FCS sub-targets across all IDA20 special themes.

Figure 6. 1. Total IDA Commitments in FCS, IDA15 – IDA19



Note: Total IDA commitments include the PBA, FCV, and Windows but excluding PSW.

99. **IDA's support for FCS is based on the WBG Strategy for FCV 2020–2025.** The strategy aims to enhance the WBG's effectiveness in addressing the drivers and impacts of FCV and strengthening resilience, especially for the most vulnerable populations. The strategy is structured around four pillars of engagement,[43] which provide guidance on how to engage in different types of FCV settings, inform Country Partnership Frameworks (CPF) and programs, and ultimately, provide more effective and tailored financial and technical support to both government and private sector clients. The strategy emphasizes the important role that the private sector can play. It underlines that the WBG with its "One WBG" approach is uniquely positioned to address challenges of private sector development in FCV contexts.

100. **As the bedrock of IDA's support, the PBA system has significantly boosted support to FCS in recent years.** The PBA system is driven by both needs and performance, with a strong poverty orientation that was further strengthened in IDA18. Given the increasing concentration of poverty in FCS, the PBA has been systematically channeling a larger share of core allocations toward this group of countries. There has been a near doubling of IDA country allocations[44] to FCS from IDA18 to IDA19, and a high level of allocation maintained in IDA20, compared to the

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41 Turnaround Regime (TAR), Risk Mitigation Regime (RMR), Sub-window for Refuges and Host Communities (RSW), and post-conflict exceptional allocation.

42 Country Partnership Frameworks (CPFs), Country Engagement Notes (CENs), and Performance and Learning Review (PLRs).

43 The four pillars of engagement of the WBG's FCV Strategy are: preventing violent conflict and interpersonal violence; remaining engaged during conflict and crisis situations; helping countries transition out of fragility; and mitigating the spillovers of FCV.

44 Country allocations include PBA and FCV Envelope resources.

trend in non-FCS. This boost has been crucial for providing large-scale predictable development financing to some of the world's most complex contexts.

101. **In addition, the FCV Envelope created in IDA19 provides further resources and tailored support to address fundamental FCV drivers and to build resilience**. These resources are provided through the Prevention and Resilience Allocation (PRA), the Remaining Engaged in Conflict Allocation (RECA), and the Turnaround Allocation (TAA), and are aligned with the FCV Strategy.

102. **IDA windows provide additional support to address FCV challenges.** IDA FCS financing through windows increased steadily through IDA19, accounting for nearly 26 percent of total IDA window commitments in IDA17 and 36 percent in IDA19. The Window for Host Communities and Refugees (WHR) supports the FCV Strategy's pillar on mitigating the spillovers of FCV by incentivizing host countries to support refugees and the communities that host them. The PSW enables private sector investment with a focus on IDA-FCS and IDA-only countries by helping mitigate a variety of risks—from credit risk and currency devaluation to political risks—enabling impactful projects in challenging FCS markets that would not happen otherwise. The Regional Window fosters collaboration among countries to find solutions to shared regional challenges, such as pursuing sustainable development, peace, and prosperity through regional cooperation. The Crisis Response Window has supported fragile situations in IDA countries emanating from natural disasters and health emergencies, as well as early interventions to respond to slow-moving disease outbreaks and food security.

103. **Beyond IDA, the new playbook of the WBG intensifies institutional focus on achieving more impact, including in FCV-affected contexts.** Across the GCPs,[45] FCV is considered a cross-cutting issue, ensuring focus on implementing the GCPs in FCV-affected contexts and on pertinent global challenges such as food security and water access. The WBG's new playbook increases opportunities for flexibility in design and implementation of strategies and operations. The drive for operational efficiency and effectiveness—including measures to streamline safeguards, reduce preparation time, and build client capacity—has particular value in FCV settings where flexibility and adaptiveness are key. FCS countries also stand to benefit from the enhanced Crisis Preparedness and Response Toolkit, including through the Rapid Response Option, Catastrophe Deferred Drawdown Option, catastrophic bonds and insurance, and Climate Resilient Debt Clauses. The commitment to FCV is underscored by the inclusion of FCS-disaggregated indicators in the WBG's new, outcome-oriented Scorecard.

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[45] The GCPs comprise fast-track water security and climate adaptation; energy transition, efficiency, and access; enhanced health emergency prevention and response; accelerating digitization; food and nutrition security; and forests for development, climate, and biodiversity.

B. Lessons and Continuity from Previous IDA Cycles

i. Progress on Working in FCS

104. **The FCV Strategy's recent MTR[46] found that the WBG has achieved significant progress in its FCV work and that the FCV Strategy remains fit for purpose.** It noted an increase in IDA funding for FCS countries, particularly in support of prevention and resilience; an expanding array of FCV diagnostics and FCV-sensitive country engagements; and an increasingly forward-leaning stance on remaining engaged in conflict situations. The MTR highlighted that continuous investment in the knowledge base, earlier response, and greater adaptability to shocks are needed when engaging in increasingly volatile contexts. One key lesson is that the WBG must take a more preventive approach—this implies engaging with a focus on prevention upstream, and working to increase understanding of FCV drivers across IDA countries, cross-border spillovers, and the interplay of these drivers with other multi-dimensional risks. The MTR also highlighted the important role of the private sector in FCV settings, and that the IDA PSW will continue to be critical for catalyzing greater private investment in these markets.

105. **IDA's financial support to FCS continues to be substantial and highly concessional.** During IDA19, a record 41 percent of all IDA financial support went to countries identified as FCS. As of January 2024, IDA20 appears to retain the proportionality (figure 6.2). PBA continue to be the main form of financing for FCS, accounting for two-thirds of commitments, with the remaining one-third being split between windows and the FCV Envelope (see section VI.D). Many FCS countries are at high risk of debt distress and receive a large proportion of their IDA resources as grants. Currently, 11 of the 16 IDA-only, red-light countries (active non-small states) are identified as FCS—whereas 10 percent of IDA commitments for non-FCS countries were grants in the first half of IDA20. The same proportion was 47 percent for FCS.

106. **In FCS countries, country engagement products reflect FCV drivers and sources of resilience, and portfolios are becoming more FCV-sensitive.[47]** RRAs serve as a main analytical underpinning of World Bank engagements and some FCS countries have benefited from both national and regional analyses, and integration of IFC's conflict sensitivity work to ensure private sector engagements address fragility drivers. Although the FCV Strategy highlights the importance of justice and the rule of law, and these are often reflected in RRAs, IBRD/IDA engagement on these issues in FCS countries has been relatively limited and largely trust-funded.[48] In contrast, FCV drivers related to limited delivery of services, lack of socioeconomic opportunities, regional imbalances, and social exclusion are often better addressed.

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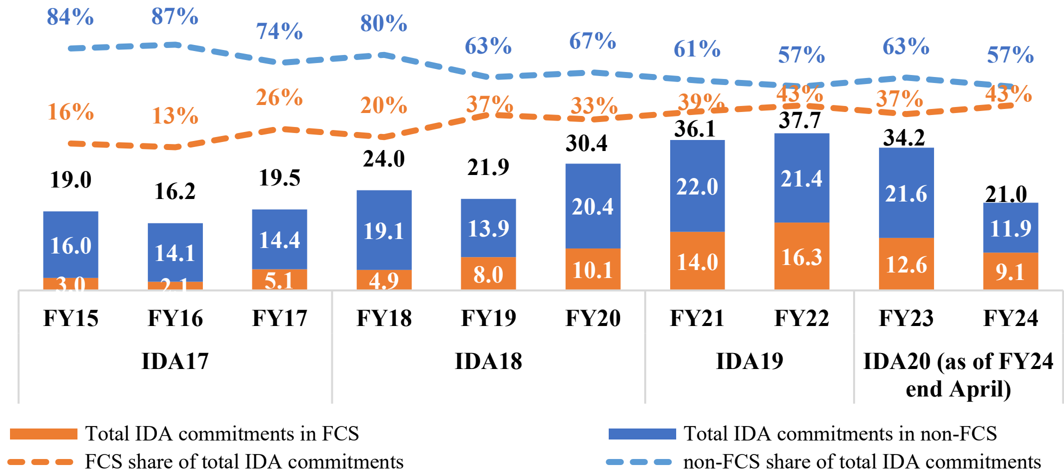
[46] Mid-Term Review of the WBG for Fragility, Conflict, and Violence (2020–25), October 20, 2023.

[47] MTR of the WBG Strategy for Fragility, Conflict, and Violence. (2020–25), October 20, 2023.

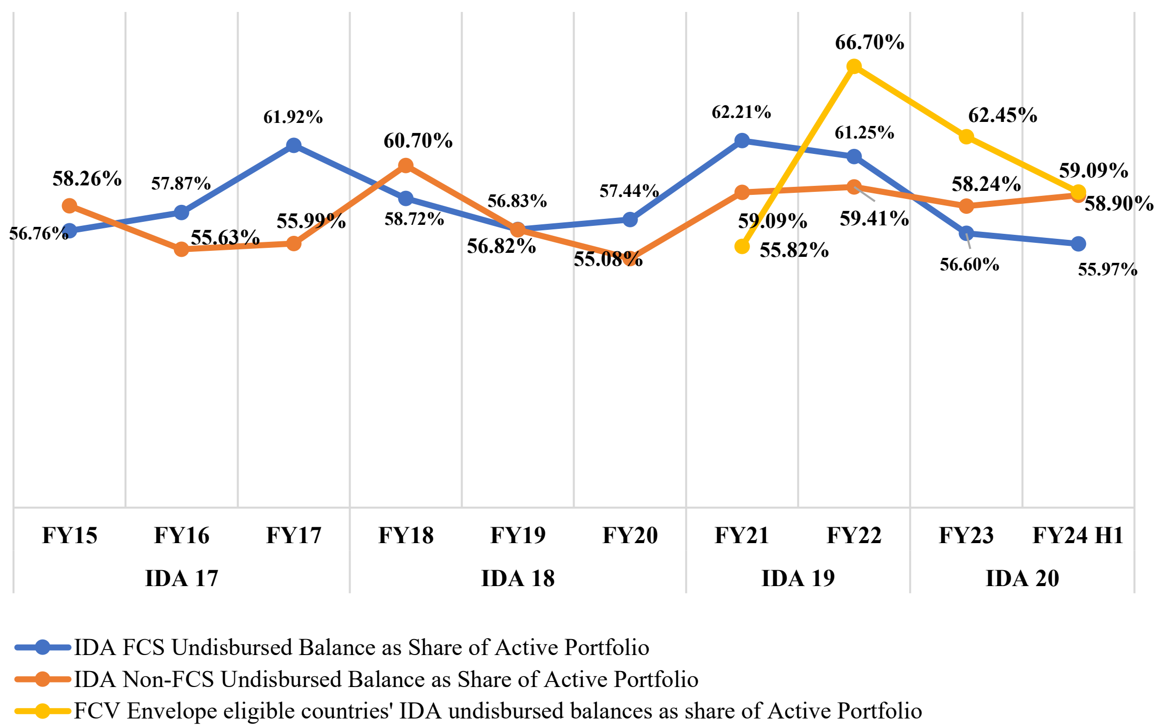
[48] A Global Partnership on Justice and the Rule of Law has been launched to provide analytical and thought leadership to advance justice reform by cogenerating, consolidating, and disseminating knowledge.

Figure 6. 2. Total IDA Commitments for FCS Compared to Non-FCS



Source: World Bank. *Note:* Total IDA commitments exclude PSW.

Figure 6. 3. IDA Undisbursed Balances of FCS, non-FCS, and FCV Envelope Recipients[49]



Note: FCV Envelope eligible countries' IDA undisbursed balance includes aggregate total IDA undisbursed balance of country allocations and windows.

49 The FCV Eligible Countries category includes countries from both the FCS and non-FCS categories.

107. **Data on portfolio performance and disbursements indicate that the WBG is well-positioned to deliver even in fragile environments.** Despite the increase in financing for FCS, including the significant top-ups provided through the FCV Envelope, IEG ratings suggest that the ability of the WBG to implement in FCS countries has remained on par with non-FCS.[50] Halfway through IDA20, FCS countries had undisbursed balances of 56 percent in comparison with 59 percent for non-FCS and FCV Envelope recipients (figure 6.3). Behind the aggregates, however, FCS constitute a significant share of countries with the highest ratio of undisbursed balances as a share of their active portfolio. Undisbursed commitments in some countries are a growing concern for IDA's ability to meet mounting development needs and deliver changes on the ground. While implementation in FCS is a complex endeavor, enhanced flexibility can help improve IDA's delivery in FCV-affected situations.

108. **Increased conflict and political instability resulting in staff evacuations and pausing of disbursements have negatively impacted some FCS in effectively implementing their development programs.** In Haiti, the evacuation of staff following the deteriorating security situation led to a drop in the disbursement ratio from almost 25 percent in FY22 to less than 10 percent in FY23. The biggest hurdles remain in situations where conditions are not in favor of government-led implementation, but where needs on the ground call for sustained development interventions. In Afghanistan, Sudan, and Myanmar, the World Bank maintains engagement through trust funds implemented by third parties, with the intent to augment such implementing partnerships with IDA funds. IDA will be required to continue to fine-tune its tools to remain engaged in countries with de facto governments, and other countries whose relationships with the international community have become strained. Flare-ups of political instability and conflict have also had an adverse impact on IFC's pipeline in recent years.[51]

109. **The ability to implement through partners has been a critical element in delivering in the most difficult circumstances and IDA is looking into ways to further systematize third-party implementation (TPI).[52]** During FY16-24, US$ 7.3 billion of IDA grants and credits were committed to UN/International Non-Governmental Organization (INGO) partners working in FCS, either through borrower contracting or direct financing – compared to $2.1 billion in just IDA credits through borrower contracting in non-FCS. Even in contexts characterized by humanitarian crises, these funds are used for development purposes, such as preserving institutional capacity and human capital. For example, in Northern Mozambique, a United Nations Office for Project Services (UNOPS)-implemented project allowed for quick disbursements in high-need areas. Nonetheless, implementing through third parties is constrained in countries which are on credit terms, i.e., without available grant resources[53], and Management is therefore looking at solutions (see proposal of an expanded RECA in section VI.E).

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[50] Outcome ratings from Implementation Completion and Results Report Reviews (ICRR) demonstrate that about 79 percent of FCS projects since FY18 received "moderately satisfactory" or higher compared to 82 percent in non-FCS countries.

[51] For example, at the end of 2021, $600 million out of a $700 million IFC pipeline has been disengaged, dropped, or put on hold in countries that saw increased conflict and fragility. Events in Afghanistan, Ethiopia, Myanmar, and Sudan have frozen $350 million in IDA PSW pipeline projects.

[52] This paper presents options to expand RECA designation for additional countries, which facilitates third party implementation (TPI) and may enhance the pace of implementation and disbursements in relevant contexts. Other FCV allocations (e.g., PRA) arrangements can also explore approaches for TPI in relevant contexts.

[53] UN agencies or INGOs do not take credits.

110. **IFC's approach to support private sector development in FCS includes leveraging One WBG to create the enabling environment for catalyzing and de-risking private investment.** In an increasingly challenging operating environment, IFC Long-Term Finance (LTF) own-account investments commitment in IDA17-FCS amounted to $1.2 billion so far in IDA20 (FY23-FY24Q3), equivalent to four percent of total LTF own-account commitments. Blended finance, including IDA PSW, is a key tool to de-risk and enable private investment in FCV contexts. Other tools such as CPSDs, and upstream and advisory services, have played a key role in creating markets and developing bankable projects. For example, dedicated programs such as the Africa Fragility Initiative (AFI) have been established to focus on some of the most challenging markets in Africa.

111. **Similarly, MIGA's strategic focus on increasing its support for private sector engagement and cross-border investment into FCS countries relies on upstream regulatory engagement, PSW allocations in FCS countries, and World Bank's country management unit (CMU) support with struggling projects.** Guarantees worth a cumulative $1.8bn were issued by MIGA in FCS countries with PSW support, equivalent to 62% of MIGA's total PSW-supported issuance. The implementation and benefits of the One WBG approach were particularly evident in the Safaricom transaction in Ethiopia, where MIGA guaranteed $1 billion of investments, IDA provided a first-loss layer under PSW, and IFC invested in the project. For MIGA's guarantee to a renewable energy provider investing in Somalia, significant support was provided by the World Bank CMU, in addition to the PSW.

112. **Staffing has been a key element of operationalizing the FCV Strategy.** The WBG has continued to progress in expanding its footprint in FCS, including through growth in professional grades, expanded external recruitments, and increases in both national and international staff, as well as female staff.[54] The WBG has also seen positive patterns among staff in FCS in terms of talent indicators, with a doubling of the percentage (8% to 16%) of staff with FCS experience promoted to higher grades.[55] At the same time, more needs to be done in the area of non-monetary incentives for embarking on FCS assignments, especially in terms of growth opportunities and career support. Therefore, a High-Level Working Group on FCV Staffing has been formed, composed of leadership from across the institution. The Working Group is tasked with proposing ways to strengthen support to staff working on FCV before, during, and after their assignments, including on learning, health and security support, benefits, and career management.

iii. Progress on IDA Support for Refugees and Host Communities

113. **The WHR has played a key element in the WBG's ability to deliver an important global public good.** The Bank continues to closely monitor the attractiveness of the financing package to refugee-hosting countries. As of the end of March 2024, 17 IDA countries[56] had

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54 As of April 2024, total staffing in FCS was 1,310, compared to 836 staff at end-FY18.

55 A non-paper on FCV in IDA21 [signed by the African Borrower Representatives, Belgium, Canada, Denmark, ECA Borrower Representative, France, Germany, Italy, Japan, LAC Borrower Representative (Haiti), Luxembourg, MENA Borrower Representative, The Netherlands, Switzerland, United Kingdom, and the United States] recommended that the Bank enhances staff capacity on FCV issues and increase FCV staffing on the ground.

56 Liberia and Zambia's eligibility was confirmed in IDA20; Togo, CAR and Benin are preparing eligibility.

accessed $3.8 billion under the WHR/Refugee Sub-Window (RSW) for 77 operations. Overall, 20 percent of WHR/RSW financing has been provided for jobs and social protection to host communities and refugees – close to half of all financing has been used in the Human Development sectors. More than 17 million people have benefited from WHR/RSW projects, around 3.9 million refugees, and 13.5 million members of host communities.[57] In IDA20, the WHR has approved 17 operations in eight countries,[58] with commitments reaching $765 million. It is expected that WHR resources will be fully committed by the end of the IDA20 cycle. Experience has shown that the WHR eligibility criteria largely ensures government ownership and commitment to the welfare of refugees in accordance with international obligations and practices. To access WHR resources, a country should adhere to an adequate framework for the protection of refugees and have in place a strategy acceptable to IDA that describes the concrete steps, including possible policy reforms, that the country will undertake towards long-term development solutions that benefit refugees and host communities.

114. **Stakeholder support for the World Bank's development-focused engagement on the refugee agenda in remains high.** The partnership with UNHCR continues to be strong, and the alignment around critical global and national level priorities helps shape the global agenda. Feedback from partners, including UNHCR and displacement-focused NGOs, centers around ensuring that the World Bank's leverage is focused on areas where it has unique competencies vis-a-vis humanitarian and rights-based actors, such as policies, institution-building, and sustainable development. The Refugee Policy Review Framework (RPRF) helped establish a framework for how to approach policy improvements, but further hardwiring this priority into the design of the Window may improve impact.

115. **Increasing numbers of conflict-induced internal displacement and diminishing humanitarian funds raise the question of whether IDA could do more to support IDPs.** IDPs face many of the same challenges as refugees but are often harder to reach as they do not benefit from international protection and can be difficult to identify.[59] IDPs are nationals of IDA countries that receive their core allocations based on populations and many are located in FCS countries where IDA is already intensely investing; as such, more operations could support IDPs as beneficiaries.

C. Way Forward and Expected Outcomes in IDA21

116. **The FCV lens will advance a focus on prevention, resilience, and adaptiveness across IDA21 as key elements to *ending poverty on a livable planet.*** IDA21 will advance the FCV Strategy MTR's advice to focus the WBG more on prevention; this includes incorporating prevention and support for resilience to FCV into country engagement programming, client

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57 The number reflects the beneficiaries of projects with indicators such as cash assistance, school meals/enrollment, and access to economic activities. Since not all projects report on refugee and host community beneficiaries in a standardized way, this total number may not comprehensively capture all refugee and host community beneficiaries, as some sub-projects (for example, infrastructure and WASH) do not provide this level of disaggregation in their results frameworks.

58 Burundi, Cameroon, Chad, Ethiopia, Kenya, Liberia, South Sudan, and Uganda

59 See World Bank Approach to Conflict-induced Internal Displacement, World Bank 2021.

dialogue, and partnerships. Given the unpredictability of FCV situations, it is also essential to ensure adaptiveness of WBG programs to respond to both progress and setbacks.

117. **IDA21 will follow through on the FCV Strategy MTR recommendation to "*ADAPT*".** *Anticipating earlier and better* requires informing country and sub-regional engagement through FCV assessments and identifying opportunities to invest in prevention. This will be done through RRAs and other FCV diagnostics to inform country engagement and by increasing the level of ambition on CPF outcomes and objectives. To shift towards more proactive and anticipatory action, the WBG is also developing a FCV Risk Monitor, which also leverages the knowledge of other organizations. FCV risk monitoring will allow the WBG to *respond dynamically*, improving the management of FCV risks at the global, regional and country levels and ensuring that resources can be channeled where they make the most difference on the ground. IDA21 will improve WBG efforts to *advance engagement with the private sector,* through WBG-wide RRAs that include IFC and MIGA engagement as well as an increased focus on the domestic private sector in FCS. A One WBG approach will be key to engaging the private sector in FCS; this should include systematic integration of CPSDs into CPFs. A focus on critical *partnerships* will continue to inform how we engage in ways that are impactful and context-specific, including through consultation, analytical work, convening and coordination across implementation. Partnerships are particularly critical in insecure environments, and in sectors where the WBG has a more limited mandate, such as the security sector or criminal violence. Finally, building strong *teams* will be a priority, systematically addressing issues related to staff incentives, FCV roles, and business needs.

118. **With increasing levels of conflict and fragility impacting IDA countries, de-risking tools such as the IDA PSW will be essential to facilitating private sector investment in IDA21.** As of end-February 2024, IFC's PSW pipeline in individual FCS countries stands at about $630 million and includes projects across regions and industries, particularly in Sub-Saharan Africa and in the real sector.[60] MIGA's current PSW portfolio in individual FCS countries amounts to $1.77 billion across regions and industries, with 85 percent in SSA and 76 percent in Information Communications Technology (primarily telecoms, and mobile money). MIGA's PSW pipeline includes projects with a similar concentration in SSA and a higher concentration in renewable energy.

119. **The FCV lens will be relevant across other IDA21 lenses and focus areas and will contribute to sustainable development outcomes across thematic sectors in FCV-affected contexts**. Applying the FCV Lens to the ***'People'*** Focus Area includes continued investments in education, social protection, and health for people in FCV settings. Ensuring FCV-sensitivity in the ***'Planet'*** focus area as well as the corresponding GCPs will be key to achieving results in FCV-affected situations, many of which are the most vulnerable to food insecurity and face big financing gaps for climate adaptation. Applying the FCV Lens to the ***'Infrastructure'*** and ***'Digital'*** Focus Areas includes considering the needs of displaced populations to access safe, reliable, and affordable electricity as well as broadband internet and digitally enabled services.

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[60] Real sector comprises Infrastructure and Manufacturing, Agribusiness and Services. FCS volume in regional projects is not included in pipeline volume.

120. **The new WBG Scorecard will measure FCS results across all outcome areas**. Indicators can be disaggregated by FCS classification, enabling the tracking of progress as well as accountability for FCV commitments. Also, Outcome Area 14 in the Scorecard will track "*Millions of displaced people and people in host communities provided with services and livelihoods"* using a robust methodology and reflecting IDA20's Policy Commitment 2 efforts on refugee and host communities.

121. **IDA21 will continue to have a strong focus on refugees, including through a new Regional and Global Solutions Window (RGSW).**[61] In a global context of increasing refugee numbers and pressures on humanitarian financing, IDA will continue to play a key role in advancing a development response that is complementary to humanitarian aid in forced displacement situations. The increased focus on addressing global challenges with cross-border externalities in IDA21 would be better served by closer alignment of the IDA windows architecture. Fragility is a global challenge with significant cross-border externalities. The WHR has been an important instrument in WBG efforts to address cross-border challenges and Management proposes that it be integrated into a larger RGSW in IDA21. The expanded RGSW would continue to support eligible countries to adopt and implement hosting policies that are financially and socially sustainable, with a focus on moving towards freedom of movement within the host country; self-reliance, and access to jobs and economic opportunities for refugees and host communities; inclusion of refugees in national service delivery systems; and gender equality.[62] Any PBA contribution requirement[63] to access resources for the purpose of servicing refugee and host communities would be aligned within the expanded window, simplifying dialogue with clients.

122. **Window resources will strengthen the policy content of the WBG's engagement on refugees, building on the RPRF process under IDA19 and IDA20.** Allocations to support refugee hosting under a RGSW will build on the objectives of the current WHR[64] and include an aim of supporting countries to adopt and implement hosting policies that are financially and socially sustainable. Also, new CPFs/CENs for countries eligible for refugee-hosting resources will outline the priorities for the policy dialogue related to refugees.[65]

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61 See the IDA21 ask paper, *IDA21: Demand for Resources, Financing Architecture, and Scenarios*.

62 WHR operations design is informed by gender considerations and cater to the specific needs of women and girls. The prevalence of GBV in some settings, may also call for a design that includes specific activities (beyond risk mitigations) that seek to prevent and address GBV.

63 Current implementation arrangements for WHR requires that at least 10 percent of WHR funded operation comes from the Country Allocation. The 10% contribution was originally intended to ensure government ownership, and to focus the dialogue between WB teams and clients on substantive issues relating to WHR programming.

64 Current main goals of the WHR are to support refugees and refugee-hosting countries in (i) mitigating the shocks caused by inflows of refugees; (ii) creating social and economic development opportunities [for refugee and host communities]; (iii) facilitating sustainable solutions to protracted refugee situations including through sustainable socio-economic inclusion of refugees in the host country and/or their return to the country of origin; and (iv) strengthening country preparedness for increased or potential new refugee flows.

65 IDA20 FCV Policy Commitment 2, which focuses on leveraging outcomes for host communities and refugees, has seen progress but also faces risks of setbacks. The policy commitment aims to ensure that at least 60 percent of the countries eligible for the Window for Host Communities and Refugees implement significant policy reforms as identified through the Refugee Policy Review Framework.

123. **IDA will continue to highlight the plight of other forcibly displaced populations, including IDPs and returnees**. In countries with a significant share of IDPs, IDA-financed projects will make concerted efforts to include IDPs as beneficiaries, to address the displacement-related vulnerabilities that hinder those forcibly displaced from benefitting from development opportunities. IFC will leverage the joint IFC-UNHCR Initiative to identify, incubate, and catalyze private sector solutions in forced displacement contexts, including in IDA counties.

FCV Drivers and Resilience
IDA21 will ensure that all CPFs/CENs for IDA FCS and FCV Envelope countries will have strategic objectives that reflect how the WBG program, in collaboration with relevant partners, will help address FCV drivers and sources of resilience based on Risk and Resilience Assessments (RRAs) or other FCV diagnostics.

124. **IDA21 proposes a focused high-level policy commitment that reinforces the FCV lens.** IDA21 proposes that all ***CPFs/CENs for IDA FCS and FCV Envelope countries will have strategic objectives that reflect how the WBG program, in collaboration with relevant partners, will help address FCV drivers and sources of resilience based on RRAs or other FCV diagnostics.***

D. Special Focus: FCV Envelope Progress and Lessons Learned

125. **The FCV Envelope was established to address some specific FCV challenges.** These challenges include deep governance concerns, state institutional weakness, marginalization, and high levels of violence. The FCV Envelope provides a framework for addressing these challenges and ensuring that interventions are effective in such environments. The underlying assumptions for the Envelope's PRA and TAA are: (i) prevention and turnaround can only succeed where governments proactively address the drivers of fragility; (ii) additional resources alone are not a sufficient condition for success; and (iii) success requires an entire shift in the WBG's approach to peacebuilding, including through policy dialogue and partnerships and going beyond stand-alone projects. The aim was therefore not to provide additional resources to all FCS, nor all conflict-affected countries, but rather to those situations where the government makes a compelling case of its commitment to address FCV drivers and recalibrates the country programs in support of this effort to achieve maximum impact on the ground.

126. **The FCV Envelope was designed with both realism and ambition.** On the one hand, the assumptions above recognize that development finance and interventions need to be seen as but one part of a broader effort by national and international actors across diplomatic, security, development, humanitarian, and private sector realms. There was thus never an expectation that WBG financing alone would prevent conflict, violence, or coups. This complicates attribution and puts the onus on how the WBG positions itself within the broader framework. On the other hand, when precious opportunities for prevention or transition present themselves, the FCV Envelope was meant to be proactive, deliberate, and work at a scale that could help member countries favorably tip the balance. It is important to note that the FCV Envelope eligibility is determined

by IDA after extensive consultations with partners to support, *inter alia,* the identification of FCV drivers, and the preparation of eligibility notes for the different FCV allocations.[66]

127. **As of June 2024, the FCV Envelope has been under implementation for four years.** During this period, eight countries have gained access to PRA,[67] two to RECA,[68] and four to TAA,[69] allowing the WBG to provide a total of $7.2 billion[70] to eligible countries. Of these, 12 have had access for three years or more, and one country, Sudan, has exited.

128. **The FCV MTR highlighted that policy dialogue has been a key value added of the PRA and TAA and that two-thirds of milestones have been achieved or seen significant progress.** The eligibility criteria around government strategies and associated milestones have opened the door to real dialogue around prevention/peacebuilding and endogenous drivers of FCV, including in Mozambique, Burundi, The Gambia, Togo, and Benin. In all recipient countries, the PRA/TAA have helped broaden WBG policy dialogue on sensitive issues, such as security and justice, in collaboration with partners.[71] Only around seven percent of milestones have not been met; this seems reasonable, considering that milestones are well-balanced between those focused on policy/strategy/legislative changes (25 percent), systems strengthening (42 percent) and on-the-ground results (33 percent). All countries but one (Central African Republic) have milestones focusing on gender.

129. **To be eligible for the FCV Envelope, countries must recalibrate their country program to focus on FCV risks and drivers, but this is not always a simple process.** The additional funds offer a strong incentive to recalibrate country programs, however, expectations need to be clarified to guard against competing priorities. Benefits from recalibrations have been particularly notable when initial eligibility or annual reviews have been embedded in Country Engagement Products.[72] At the same time, competing priorities, funding streams, or the presence of well-established portfolios, often hampers a more thorough recalibration. Engagement in certain sectors may be longstanding, and seeing important progress related to poverty reduction. Often, it is difficult to determine how a service delivery project may or may not address drivers or whether a Development Policy Financing may have adverse effects on stabilization while bringing advances on, for example, debt reduction. The WBG will continue to invest in improving its understanding of how to go beyond portfolio recalibration toward how to design and adjust projects to support prevention and prioritize those investments that have the most impact on the ground. In that respect, the Bank will expand the FCV Envelope's implementation guidelines with additional clarity on expectations for program composition at eligibility and annual reviews and

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66 A non-paper on FCV in IDA21 [signed by the African Borrower Representatives, Belgium, Canada, Denmark, ECA Borrower Representative, France, Germany, Italy, Japan, LAC Borrower Representative (Haiti), Luxembourg, MENA Borrower Representative, The Netherlands, Switzerland, United Kingdom, and the United States] emphasized the importance of consultations with UN and key development actors for eligibility analysis.

67 Burkina Faso, Burundi, Cameroon, Chad, DRC, Mali, Mozambique. and Niger. Three more, Benin, Haiti and Togo are under review.

68 South Sudan and Yemen.

69 CAR, The Gambia, Somalia, and Sudan.

70 Includes IDA19 and FY23 - FY24 allocations based on end-March 2024 exchange rate (SDR/USD=1.32405).

71 E.g., DRC, Burundi, and Mali.

72 DRC, The Gambia, [Haiti and Togo] (initial eligibility through the CPF), Burundi (initial eligibility trough the PLR), Mozambique and Somalia (annual reviews integrated into the CPFs).

will consider further knowledge dissemination and training for field staff who are spearheading the FCV policy dialogue.

130. **Partnerships remain a strong facet of the FCV Envelope.** Regular dialogue with relevant partners such as the UN, MDBs, and bilateral actors on the PRA and TAA is taking place in all countries, with many expressing strong appreciation for the Bank's leadership on conflict prevention.[73] In some countries, a dedicated coordination mechanism has been established or strengthened to provide partners a platform to work with the government on FCV issues. In Cameroon, the PRA allowed the WBG to establish the only dialogue platform that convenes various partners on conflict prevention and mitigation. In Haiti, partners found the PRA process valuable as a broader strategic visioning exercise to address the Haitian crisis. The FCV Envelope will continue to support dialogue platforms between government and development partners, with a focus on country ownership and encouraging multi-stakeholder dialogue for peacebuilding.

131. **The PRA eligibility criteria helped ringfence and focus the allocation to the countries at highest risk of escalation to high-level conflict but did not allow for more proactive upstream engagement in countries amenable to prevention efforts.** The original PRA threshold was informed by analysis from the World Bank's Development Economics Vice Presidency that showed that the strongest predictor of large-scale conflict was the prevalence of small-scale conflict, reflecting the notion that violence breeds violence.[74] However, when fatalities reach the PRA threshold in a given country, prevention efforts may already come too late. For example, as insecurity in the Sahel spreads, the governments and international partners in the Gulf of Guinea are seeking ways to engage proactively in prevention where the national level of fatalities has yet to meet the PRA thresholds.[75] Given the complex risk trajectories of pre-conflict, a "qualitative pathway" supported by compelling data, as complementary to quantitative criteria, could facilitate the provision of targeted and timely support for prevention. Still, it will be crucial to ensure that PRA resources are ringfenced to only a very select group of countries facing very specific escalation risks, and where the government has demonstrated its commitment to address them.

132. **RECA has proven to be a centerpiece in the Bank's approach to remaining engaged, but as conflict situations differ, a more multifaceted allocation could support a more flexible response in difficult contexts.** RECA has been a critical tool for the Bank to meaningfully engage in context with high levels of violence, and very limited government capacity, by providing a floor allocation and enabling implementation through third parties. However, as insecurity is spreading and impacts countries with higher, but still limited capacity, other tailored approaches may be relevant, e.g., further enabling third-party implementation or allowing for a choice between grants or a higher volume of credits. Some PRA- and TAA-eligible countries may exhibit characteristics that better fit with RECA even if they currently do not meet the Country Policy and Institutional Assessment (CPIA) threshold for RECA.

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[73] Partnerships: IDA Works In Cooperation with a Broad and Diverse Range of Partners, IDA20 MTR, November 22, 2023.

[74] For discussion, see page 26 of: IDA20 - Building Back Better from the Crisis : Toward a Green, Resilient and Inclusive Future (English). IDA20 Washington, D.C.: World Bank Group. *http://documents.worldbank.org/curated/en/163861645554924417/IDA20-Building-Back-Better-from-the-Crisis-Toward-a-Green-Resilient-and-Inclusive-Future*

[75] The Bank has leaned forward and supported a waiver allowing Togo to access PRA resources, which will go to the Board alongside the upcoming CPF.

133. **With the large additional allocations of the PRA and the TAA come high expectations.** [76] The Envelope has responded to volatile and unpredictable developments in FCV-affected countries, but the sheer size of the allocations creates incentives that discourage the application of the leverage/flexibility provided by the accountability framework. Expectedly, not all recipient countries have experienced the positive trajectory sought by the additional allocations — situations that have required some difficult judgments by the Bank when applying the accountability framework inherent in the FCV envelope allocations. Mali and Niger have both lost at least one year of allocations because of abrupt political transitions and the halt of the prevention dialogue, while Sudan exited from the TAA. Instituting more regular reassessments of eligibility could help ensure that the significant PRA and TAA resources continue to be used per their objective. Where a compelling case for continuation is not met, the expectation is that countries return to regular PBA like all other IDA countries.

134. **A further issue is that some countries receiving exceptional allocations face absorption and implementation challenges.** In Yemen, implementation through third parties has facilitated rapid disbursements, making it the IDA country with the second-lowest undisbursed balance. On the other hand, Cameroon has an undisbursed balance of 86 percent[77] pulling the average in the other direction. Combined, the four Sahel PRA recipients[78] had an undisbursed balance of $5.2 billion despite both Mali and Niger missing annual FCV Envelope allocations. The existing FCV Envelope policy allows for downward adjustments to allocations in certain circumstances, including weak absorptive capacity of debt considerations. To date, downward adjustment has been used only once in IDA20 but may warrant more systematic use in the future.

E. Proposed Changes to the FCV Envelope

135. **In advance of an upcoming independent evaluation of WBG engagement in FCV, IDA21 proposes a modest set of changes to the financing toolkit, aimed at addressing the issues identified in this chapter.** IDA21 implementation will be informed by the planned IEG evaluation of the FCV Strategy in 2024/25, which will likely be followed by an updated FCV Strategy. Looking ahead, the Bank will inform/update on any proposed changes to the FCV toolkit, if needed, to ensure continued alignment with the new FCV Strategy.

136. **To facilitate more upstream investments in prevention, the PRA is proposed to expand its eligibility criteria to include a "qualitative pathway" when the quantitative criteria are not met.** To ringfence the allocations to situations that are amenable to prevention efforts, applicants using the qualitative pathway will be required to provide compelling supporting quantitative data and material evidence.[79] Risk monitoring exercises may be used as supportive evidence. The qualitative criteria for all countries would be tightened to ensure that the exceptional

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76 The FCV MTR noted the importance of continuing to build the evidence base both on prevention and resilience – an in-depth study on resilience has been launched.

77 As of FY24-Q2

78 Burkina Faso, Chad, Mali, and Niger as of FY24Q2.

79 E.g., evidence of subnational or regional conflict that is spreading, lack of government control over parts of the national territory and associated internal displacement, compounding crises, a proliferation of non-state actors, the degree to which civilians are targeted, rapid increase of homicide rates or femicide, high prevalence of gang activity and influence over specific territories.

funds only go to those countries that demonstrate a strong commitment to addressing FCV drivers. The other two allocations will similarly introduce a qualitative pathway to ensure the Envelope's ability to deal with situations that may not fit in neatly with the quantitative boxes and facilitate easier movement between the allocations.

137. **Expanded eligibility and financing options under RECA could provide more tailored solutions to "remaining engaged" beyond countries with extremely limited government capacity**.[80] Expanded eligibility would include: (i) removing the CPIA threshold of 2.5; (ii) adding situations where for policy reasons the Bank cannot provide financing to the government of a country;[81] and (iii) a qualitative pathway relying on other relevant indicators related to conflict. The expanded financing options would include a choice between (i) a floor allocation on grant terms based on a Country Performance Rating (CPR) of 2.5 (existing model) with a cap;[82] ***OR*** (ii) the PBA plus a 20 percent top-up on existing terms.[83,84] An assessment of debt sustainability will also be used to inform or guide such choices so as not to increase risk of non-accrual for IDA. The allocation would continue to include the ability to provide direct financing to UN Agencies and select INGOs[85] acknowledging this would be the only option to continue to engage in cases where the World Bank cannot work through government institutions and disbursements or provision of new financing to the country cannot be resumed.[86] Option (i) would entail grants and additional volume for countries with CPRs below 2.5, and if chosen over volume, grants with significant reductions for countries with CPRs above 2.5. The focus of the programming would remain in line with the current RECA, that is, to finance a specific set of development activities focused on WBG comparative advantage as a development actor, enabling the country program to focus on development activities that preserve institutions and human capital, such as delivery of basic services and capacity building in key institutions.

138. **As the Envelope becomes nimbler in its intake, IDA will similarly tighten the accountability framework to ensure that the additional financing continues to be well-utilized.** In successful cases, this would include phasing out support over a three-year period. In cases where the context or progress is no longer aligned with the objectives of the Envelope, the exceptional allocations may be lowered or withheld for a year, or a new eligibility process may be requested. In all cases, renewed eligibility must be sought once per IDA cycle (either through a country engagement document or the latest three years after the last eligibility process), or if there

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80 Second Replenishment Meeting: Joint Statement by IDA Borrowers Representatives for EAP, ECA, LAC, MENA, SAR1 & SSA, 21 April 2024. Signatories commented, *inter alia*, on the IDA21 Grant Allocation Framework (GAF) presentation, about the risks of solely relying on quantitative criteria.

81 While observing the overall IDA policies, related to, among other things, arrears.

82 The floor allocation top-up is currently capped at US$300 million. In situations where for policy reasons the Bank cannot provide financing to the government of a country, the total amount (PBA + top-up) will be capped at $500 million.

83 For the option of a top-up on the PBA of 20% under existing terms, the US$300 million cap would be applied to the top-up.

84 This option will not be available for IDA-only red-light countries and in situations where for policy reasons the Bank cannot provide financing to the government of a country.

85 Keeping with current RECA policy, direct financing to UN or INGOs would not include a Commitment Charge.

86 The current requirement for a government request for direct financing through UN agencies or INGOs will be adjusted accordingly.

is a significant and durable reversal in the country's situation.[87] While such actions may cloud the predictability of financing, they will ensure that the extraordinary financing does not become an entitlement. The use of downward adjustments to allocations, and the expectations regarding government commitment (strategy and milestones), portfolio recalibration, and consultations with partners will be further clarified and tightened in the implementation guidelines.[88] In the absence of compelling justification, the expectation is that countries return to core PBA.

VII. QUESTIONS FOR IDA PARTICIPANTS

139. **Management welcomes feedback from IDA Participants on the four Lens Areas, in particular:**

a. Are the Lens Areas sufficiently prioritized toward the greatest development challenges facing IDA countries today?

b. Are the synergies and links clear among IDA21 priorities clear in demonstrating how IDA21 offers an integrated package of support for IDA countries?

c. Together with the outcomes measured through the Scorecard, do the proposed Policy Commitments in these four Lenses contribute to the achievement of the IDA21 overarching theme?

[87] Directive and guidance issued by management will clarify which instances are considered significant and durable reversals to renew eligibility.

[88] Such expected criterion may include, among others, measures related to average disbursements in FCS, timing for attaining eligibility/confirming continued eligibility, and level of ambition of milestones.