



IDA19

**Additional Information Following up on the Addis Ababa
Discussions on Regional, Crisis Response
and Private Sector Windows**

**Development Finance Corporate IDA and IBRD (DFCII)
September 27, 2019**

INTRODUCTION

1. This document responds to IDA Deputies and Borrower Representatives (“Participants”) requests for additional information on the Regional Window (RW), the Crisis Response Window (CRW), and the Private Sector Window (PSW). The document summarizes information on the three windows that complements information provided in the Deputies’ Report, which reflects ongoing work and the general direction of Management’s plans for implementation of adjustments in these windows.

2. Annex 1 responds to Participants’ requests to elaborate on the increased demand and impact of the Regional Window in the context of the proposed scale-up. In Addis Ababa, Participants expressed broad support for the proposed scale-up in resources to support regional priorities. They requested more information on how to ensure strategic and impactful use of this scale-up. They also noted the importance of the proposed sub-regional emphasis (in particular the focus on the Sahel, Lake Chad region and the Horn of Africa). This Annex outlines the strong demand for the Regional Window and summarizes efforts aimed at ensuring maximum impact from regional operations.

3. Annex 2 responds to Participants’ requests to clarify how the Crisis Response Window will provide early response support to slower-onset crises. Participants welcomed the review of the IDA crisis response toolkit and emphasized the importance of investment in preparedness and prevention. For covered events, i.e., disease outbreaks and food insecurity, they called for more information on proposed triggering methodologies, governance and operational arrangements. To complement information on the CRW included in the Deputies’ Report, Annex 2 here presents an illustrative framework for severity thresholds to trigger CRW early response financing, noting that Management will continue to develop this framework in the remainder of the IDA18 period.

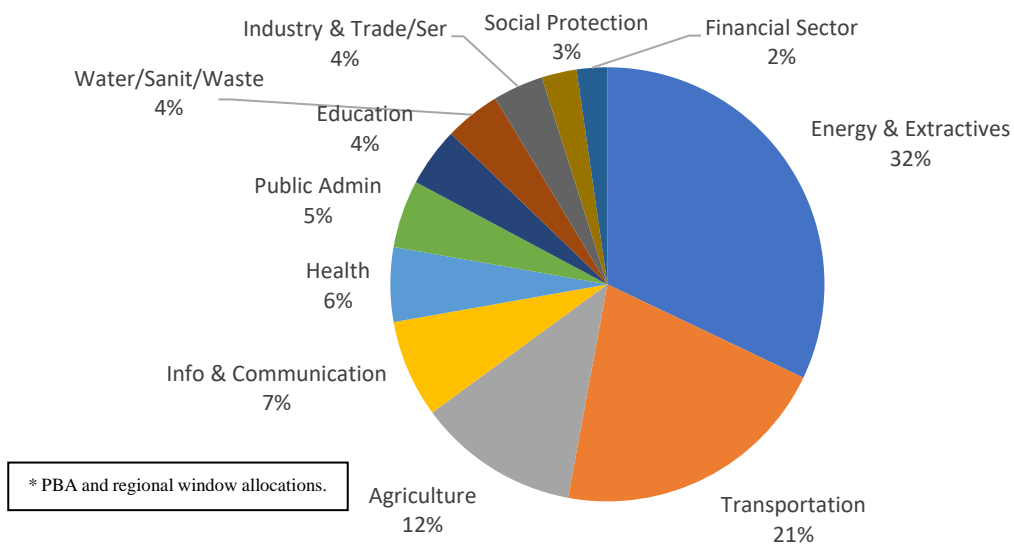
4. Finally, Annex 3 responds to several questions raised by Participants regarding the IFC/MIGA Private Sector Window. These include requests for information on progress in the implementation of the window which support the proposed size of the proposed IDA19 PSW. They also called for increased transparency of the subsidies involved in PSW investments and asked Management to clarify that allowing support to non-PSW-eligible countries for programmatic platforms would not undermine the PSW objectives of focusing on the most difficult markets. Annex 3 provides responses to these questions.

ANNEX 1. SCALING UP THE IDA REGIONAL PROGRAM

1. **The proposed increase in the IDA19 Regional Window (RW) responds to strong demand for regional integration solutions across Regions.** Under IDA19, IDA will support IDA countries in deepening regional integration, building on ongoing efforts, as well as supporting new global and inter-regional initiatives, for example, the digital economy initiatives in Africa and the Caribbean. Priorities for regional approaches will cover a range of interventions in key areas: regional infrastructure and trade, including leveraging the private sector; to address fragility in Africa (in the Sahel, Lake Chad region and the Horn of Africa) and across Central and South Asia; human capital interventions in education and health; the blue economy; global public goods such as combatting marine litter; and prevention and preparedness relating to cross-border risks such as natural disasters and pandemics. This will build on the IDA’s support to a wide range of sectors covering past and current IDA special thematic areas particularly, jobs and economic transformation, climate change, fragility, gender and others (Chart A1.1).

2. **Support to regional integration projects will be selective, targeting strategic and impactful operations in each of the six Regions, including in FCS and Small Island States.** WB departments are preparing for the delivery of a scaled-up program, while strengthening implementation including learning from lessons summarized in Independent Evaluation Group (IEG) evaluations. Efforts are underway to strengthen readiness for delivery of a higher program of support in response to the high demand for IDA19, while strengthening implementation quality by learning from lessons summarized in IEG evaluations. Enhancements to the financing instruments and other proposed adjustments to the RW (see Deputies’ Report) will contribute to increased effectiveness of the IDA Regional Program.¹

Chart A1.1: IDA Commitments to projects financed by regional window* - Major Sectors (IDA13-IDA18YTD)



¹ The IDA19 Regional Window will continue to be anchored in the policy and operational framework that has been continuously refined to support regional integration initiatives since IDA13. The framework will be updated to take account of innovations in instruments and other changes in the IDA19 regional window to enhance IDA’s support to regional integration. (Summarized below and presented in greater detail in Annex 5 of the Deputies’ Report).

Emerging directions

Financing for regional operations will be based on strategic priorities identified for each region. All six regions have identified regional integration priorities that will guide the selection of operations which would be implemented through investment projects and, as proposed, Development Policy Financing (DPF) instruments. Support from the regional IDA goes hand in hand with supporting other important IDA priorities, such as the small state engagement.² Regional priorities are summarized below.

3. The *Africa Region's* priorities for IDA19, presented in “The Africa Regional Integration and Cooperation Assistance Strategy”³ include: (i) regional energy markets (completing interconnections and creating more confidence in power trade); (ii) digital transformation; (iii) human capital; (iv) Maximizing Finance for Development (MFD) for infrastructure; and (v) comprehensive approaches towards fragility factors in the sub-regional ‘hot spots’ – the Sahel, the Horn of Africa and Lake Chad region – Box A1.1. Interventions for the three strategic sub-regions will draw heavily on Risk and Resilience Assessments (RRAs) and sectoral analytical work (for example, in water and transport) to ensure a strategic approach to address drivers of fragility, which is expected to result in significant investment in energy, digital solutions, human capital and other fragility/cross-border risks. Active dialogue is underway with key Ministers of Finance from these regions (including at the forthcoming Annual Meetings) to ensure that their priorities are taken into account for the IDA19 pipeline and to help them prepare for an ambitious integration effort. Support will also be provided for global public goods including strengthening countries for country level preparedness. Three initial DPOs are being contemplated where they are most needed for policy and regulatory harmonization to build markets: West African Power Pool, Financial Inclusion in Western Africa and the East Africa Digital Market.

² The Pacific program used the IDA17 regional financing strategically and has benefited significantly from the IDA18 scale up. The Organization of Eastern Caribbean States also benefitted from reinforcing their country programs through regional integration investments.

³ “Supporting Africa’s Transformation: Regional Integration and Cooperation Assistance Strategy. For the Period FY18-FY23, December 15, 2017”.

Box A1.1. IDA - The Horn of Africa, Lake Chad and the Sahel

AFR will increase its focus on the three sub-regions of the Horn of Africa, Lake Chad and the Sahel. Already, these areas have accounted for a significant share of regional projects (about US\$4.2 billion including US\$2 billion from IDA18).⁴

Horn of Africa (HoA): The current portfolio of IDA regional projects in the Horn of Africa (US\$1.8 billion) focuses on transport, health, higher education and skills development, pastoralism and forced displacement. The World Bank, in partnership with the European Union (EU), the Africa Development Bank (AfDB) and the Intergovernmental Authority on Development (IGAD) are working closely with the five countries of the “small Horn” – Ethiopia, Eritrea, Djibouti, Kenya and Somalia – to develop a strategy for the HoA Initiative comprising three pillars:

- (i) **Infrastructure** including transport with a focus on four corridors (Kismayo, Lamu and Mogadishu Corridor; Assab and Djibouti Corridor; Berbera and Djibouti Corridor; and, Mogadishu, Berbera and Bossasso Corridor); expanding and facilitating energy markets; and the HoA digital program;
- (ii) **Trade and economic development** with a focus on trade policy environment, regional value chain development, investment climate and financial inclusion (regulatory frameworks and development of cross border payments and banking services); and
- (iii) **Human capital and resilience** including health system and disease surveillance, education and skills for future employment across the region; and interventions for mobile populations (cross border or displaced communities) and pastoralism.

Lake Chad: The IDA portfolio in the Lake Chad region (US\$640 million) benefits some 10 million people with a strong focus on coordination across the humanitarian – development – peace nexus. Support to the region will build on existing investments including: infrastructure (power and multi-modal transport and battery storage); trade and economic development; human capital and resilience including projects on pastoralism, hydro-meteorological services, food and security, and women’s empowerment. Work is also underway to strengthen financial inclusion and support environmental management of the riparian basin. The Risk and Resilience Assessments (RRAs) and other analytical work will support identification of key components of Bank support, in collaboration with Lake Chad region partners.

The Sahel: The World Bank is a member of the Sahel Alliance with a current portfolio in the Sahel of US\$1.8 billion. An RRA and an analytic piece, the “Sahel Regional Integration Memorandum”,⁵ are being completed to inform further development of the program and support selection of investments. Future projects are expected in infrastructure, trade and economic development, and human capital and resilience. Potential projects include: two transport corridors; the West Africa Power Pool (through a DPO); the digital Sahel program; economic support to statistics, unique identification systems development and financial inclusion. Work on human capital and resilience will support women’s empowerment, pastoralism and hydro meteorological services. IDA will continue to work in close partnerships with the G5 and other members of the Sahel Alliance to identify and address the challenges to fragility and to strengthen implementation of the existing programs under the Alliance.

4. The **South Asia Region** (SAR) is updating its regional integration program strategy which will: (i) support blocks of a regional electricity market (connected to Central Asia and potentially

⁴ Includes contributions from the national envelope.

⁵ The Africa Region is conducting a number of analytic works including “Regional Integration Memorandums” in each of the fragile regions to inform interventions for IDA and other partners.

East Asia); (ii) develop transport infrastructure and strengthen policy and institutional trade facilitation arrangements; and (iii) improve the management of shared natural resources and disaster risks through collaborative cross-border institutional arrangements. The program has focused on promoting cooperation on a sub-regional basis, taking into account practical realities rooted in the sub-continent's politics.

5. The *Europe and Central Asia* (ECA) region is launching a new Regional Engagement Framework for Central Asia (REFCA) with a focus on trade and connectivity and regional public goods. It will build on current progress on enhancing regional cross-border interconnections and trade through the Central Asia Regional Links Program (CARs), and efforts to tap into the region's natural resources for hydro power regional market development through the Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000) Project. The strategy is closely linked with connectivity for the South Asia region coordinating efforts to address cross-region fragility. Other possible areas of support for ECA regional projects include: environment/Disaster Risk Management (DRM), trade, transport, water and energy.

6. Regional approaches have been critical for the Pacific Islands in *East Asia and the Pacific* (EAP) region which have benefited from IDA support. The WBG Regional Partnership Framework for nine Pacific countries (FY17-FY21) will continue to build on IDA regional support in connectivity through aviation and communications, environmental management, fisheries and disaster financing including catastrophic risk insurance. In terms of thematic focus, it is highly consistent with the corporate priority to reduce fragility, strengthen climate change adaptation, foster regional integration and connectivity, and build institution capacity across countries (e.g., on statistical capacity building). Beyond the Pacific, efforts will also focus on new opportunities for cross-border cooperation in fostering cooperation and regional action in larger countries of East Asia including Laos, Myanmar, Cambodia.

7. For the *Latin America and the Caribbean Region* (LCR), regional integration will be covered under the WBG's Regional Partnership Strategy for the OECS for the period (FY15-FY20) which focuses on fostering conditions for growth and competitiveness and strengthening resilience, while capitalizing on the benefits of regional integration and unleashing the blue economy of the eastern Caribbean. Future strategic priorities will build on the current strategy.

8. Regional cooperation is one of the four main pillars of the *Middle East and North Africa* (MNA) region strategy. To foster greater trust and collaboration across MNA countries in collaboration with the Africa region,⁶ the MNA strategy includes a focus on regional public goods in sectors such as education, water, and energy as well as intra- and inter-regional investments in other sectors including capital markets development, digital connectivity, and digital skills development in order to help create jobs for the youth and women in MENA and beyond. The Africa region and MNA are working together closely to support regional initiatives such as the DE4A (on digital economy) and the Horn of Africa.

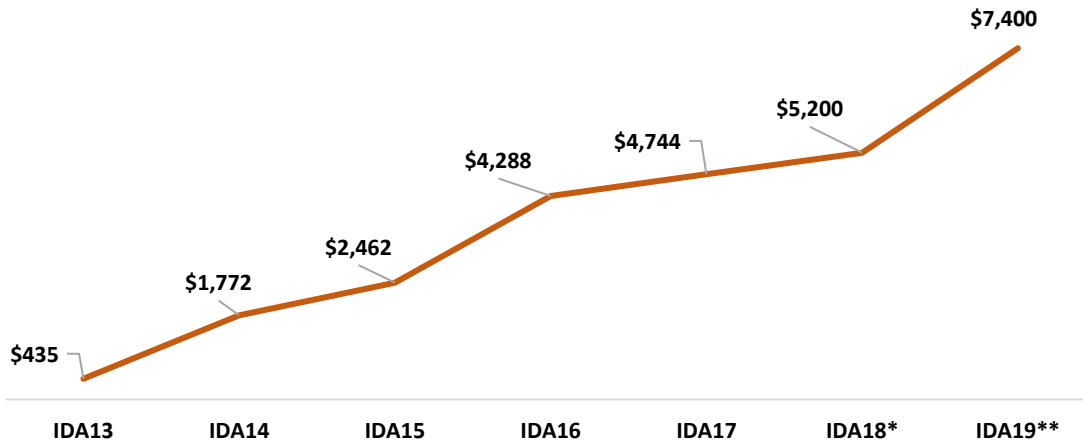
9. **The IDA19 Regional Window will build on the strong delivery of the IDA18 Regional Program.** The IDA Regional Program was scaled-up substantially from US\$2.9 billion in IDA17 to US\$5.2 billion in IDA18. With US\$2.7 billion already delivered, and a very strong pipeline, the

⁶ While the majority of the MNA countries are IBRD borrowers, Djibouti has received IDA regional support.

window is on track to fully commit IDA18 resources. Projects already delivered include support for regional transportation, energy, including regional power pools across Africa, trade, education centers of excellence, disease surveillance,⁷ and institutional capacity for regional integration organizations among others. Examples of regional projects include the innovative Western Africa Unique Identification for Development Project and the Central Asia-South Asia Electricity Transmission and Trade Program (CASA-1000) the first step in creating a Regional Electricity Market in that region.

10. **There is strong demand for the Regional Window resources, and we expect that IDA countries have capacity to effectively absorb scaled-up resources during IDA19.** The WB regions estimate that demand for IDA19 resources to meet the highest priorities will be, at a minimum US\$7.7 billion, consistent with the proposed IDA19 base scenario amount of US\$7.4 billion (increase of 42 percent from IDA18). Estimated overall demand for regional financing would be consistent with the higher case scenarios for IDA19 financing. A list of high priority projects amounting to close to US\$4.5 billion has been identified, with preparation advanced for a number of them. Some projects build on the previous investments such as the “Sahel Women’s Empowerment and Demographics Project” and transport corridors. New projects are also planned for advancing digital transformation. Three DPOs are under preparation all of which focus on policy and regulatory harmonization for the West African Power Pool; [financial inclusion for] the West African Economic Monetary Union (WAEMU) countries and the East Africa Digital Market. The pipeline is expected to develop further in IDA19.

**Figure A1.1: Demand for IDA Regional Window Resources:
IDA13 - IDA19**
(US\$ million)



Note:

IDA13-IDA17 are actual commitments.

*Regional Window post IDA18-MTR allocation

**IDA19 Regional Window Base Scenario

⁷ For example, the Regional Window is supporting the Africa Centers for Disease Control and IDA countries strengthen their capacity for disease surveillance.

Enhancing the impact of regional programs

11. **Despite their complexity, the performance of IDA regional projects remains strong.** The 2018 IEG evaluation⁸ assessed that IDA is making an important contribution to fostering regional integration, especially in infrastructure and global public goods. The IEG evaluation of closed projects found that regional projects across the Bank performed just as strongly as country projects (both had 73 percent of project outcomes rated moderately satisfactory or above). This provides reassurance that despite their complexity, regional projects are delivering results. On portfolio performance, key performance indicators reflect the reality that common implementation challenges faced by IDA national projects are multiplied when several countries are involved in a single project. For example, the disbursement ratio of regional projects in FY18 was 13.9 percent compared to 19.9 percent for all IDA projects. Despite the differences, both regional and national projects have shown improving trends over the past IDA implementation cycles. For example, the lag from concept note to approval decreased from 16 months during IDA15 to 14 months for IDA18 for regional projects compared to a decrease from 14 months to 12 months for national projects (average) over the same period. However, this is an improvement for both sets of projects from IDA13.⁹

12. **Efforts are underway to prepare for a scaled-up IDA19 Regional Window and to improve further the overall performance of the IDA Regional Program.** While the RW portfolio has performed reasonably well in comparison to the overall Bank performance, there is scope to further improve the quality of regional operations and strengthen measurement and communication of results and impact. Efforts underway include: (i) streamlining staffing for regional integration;¹⁰ (ii) mainstreaming regional portfolio issues in country portfolio reviews; (iii) allocation of resources for preparing pipeline operations for FY21 including the use of the simplified Project Preparation Facility (PPF); (iv) preparation for significant frontloading of IDA19 delivery including planning for adequate national IDA allocations to strengthen country ownership in regional operations; and (v) simplification of project design and increase in the average project size to reduce portfolio fragmentation and better manage the budget and staff resources. Given the complexity of regional operations, Management emphasizes the importance of flexible (and adaptive) project design that allows for course-correction in response to changing circumstances to ensure that overarching objectives are achieved.

13. **Efforts are also underway to strengthen impact and optimize spillover benefits.** The Africa Region is leading efforts to explore different approaches to strengthen the design of regional projects to ensure they optimize spillover benefits across countries. Analytic work is underway to assess binding constraints to promoting integration in each sub-region and strengthen the pipeline identification process and articulation of the change theory for projects. Efforts are also underway to strengthen measurement of cross-border spillover effects, including: use of standardized results indicators capturing the spillover benefits and codifying links between operational and policy interventions and achievement of regional benefits. These efforts will include: active external

⁸ “Two to Tango: An Evaluation of World Bank Group Support to Fostering Regional Integration”, IEG, 2018.

⁹ IDA18 Mid-Term Review. Review of the IDA Regional Program (October 23, 2018).

¹⁰ Staffing strengthening includes: more experienced staff, increased decentralization of staff, attention to provision of fiduciary staff for financial management, procurement and safeguards in addition to technical staff.

convening of countries and regional bodies to reach a better and shared understanding of regional benefits of proposed interventions; targeted political economy analysis; and greater focus on coordinated policy reforms across countries to deepen integration.

14. Proposed changes in the IDA19 Regional Window will enhance IDA's support to regional integration. Two key changes are proposed for the RW to enhance its effectiveness: (a) use of DPFs to support harmonization of policies, regulations and strengthen institutions across countries to support integration; and (b) for regional organizations with the requisite legal status and ability to repay IDA credits, allow access to IDA regional resources on credit terms when this is the best option for the successful implementation of a regional project.

15. IDA will continue to work in close partnership with other development partners at the regional level. IDA will build on ongoing partnerships in supporting regional integration initiatives. Examples of strong partnerships include: the IDA and AfDB joint external consultations on regional integration,¹¹ the World Bank, EU and AfDB co-led Horn of Africa Initiative; close partnership with the G5 and other members of the Sahel Alliance; and close coordination with the EU for the regional integration effort in Central Asia.

¹¹ Consultations on respective regional integration strategies (2017-2018), were well-received by the clients.

ANNEX 2. ILLUSTRATIVE SEVERITY TRIGGERS FOR CRISIS RESPONSE WINDOW EARLY RESPONSE ALLOCATIONS

1. For IDA19, IDA Participants endorsed the proposal to expand the existing Crisis Response Window¹² (CRW) to include early response for slower-onset crises—namely, food insecurity and disease outbreaks. To complement Annex 6 on the CRW in the Deputies' Report,¹³ this Annex presents an illustrative framework for severity thresholds to trigger CRW early response financing. All requests for such financing will be approved by the IDA Board of Executive Directors (IDA Board).

A. Food Insecurity

2. To qualify for CRW early response financing, a food insecurity event in an eligible country must, among other factors, have a minimum level of severity that is determined by either: (i) pre-defined food insecurity thresholds; or (ii) country-specific analyses of risks. This section presents an illustrative framework for determining eligibility. This framework is intended to signal the risk of a potential future crisis as a means of initiating an assessment of whether CRW early response financing should be mobilized. While past CRW allocations for food insecurity were made on a last resort basis, this framework seeks to mobilize on average financing around six months earlier. The triggers would be finalized in time for IDA19 implementation by July 1, 2020.

Food Insecurity Thresholds

3. For food insecurity crises, enabling the CRW to respond earlier can make an appreciable difference in lessening the impact of shocks and help mitigate escalation into large-scale catastrophes. Forecasts indicating that a crisis is developing can be used to trigger early response actions that are made on an anticipatory basis and funded by the CRW.

4. Past CRW allocations are used as a guide for setting thresholds for early response financing. Figure A2.1 shows the severity and extent of food insecurity in four IDA countries, all of which have received CRW support for severe food insecurity related to CRW-eligible events.¹⁴ The charts show the respective proportion of each country's population at various Integrated Phase Classification¹⁵ (IPC) severity levels. For example, the three CRW allocations in Ethiopia in 2011, 2016 and 2017 were approved following crises which affected between 20 to 40 percent of the population who were in IPC3 "crisis" or worse conditions.

¹² With the formal establishment of the CRW in IDA16, the emergency financing framework was complemented by a dedicated funding mechanism.

¹³ The elaboration in this section relates to severity thresholds. See IDA19 Deputies' Report, Annex 6 for the broader set of eligibility criteria.

¹⁴ The CRW does not cover food insecurity per se but has responded to food insecurity cases that arose from CRW-eligible events such as drought.

¹⁵ The IPC describes the severity of food insecurity using a five-phase scale that is widely accepted by the international community: 1=Minimal; 2=Stressed; 3=Crisis; 4=Emergency; and 5=Famine.

5. **The primary food insecurity measure should be well-defined, broadly accepted worldwide and comparable across countries.** For this reason, the IPC framework is applied. For illustrative purposes in this analysis, the IPC-compatible metric produced by the Famine Early Warning Systems Network (FEWS NET)¹⁶ is used as it provides the longest running dataset across the widest available country coverage.

Figure A2.1: Population-Weighted Proportion of Districts by Food Insecurity Levels
Examples of past CRW allocations for severe food insecurity crises (marked by purple lines)

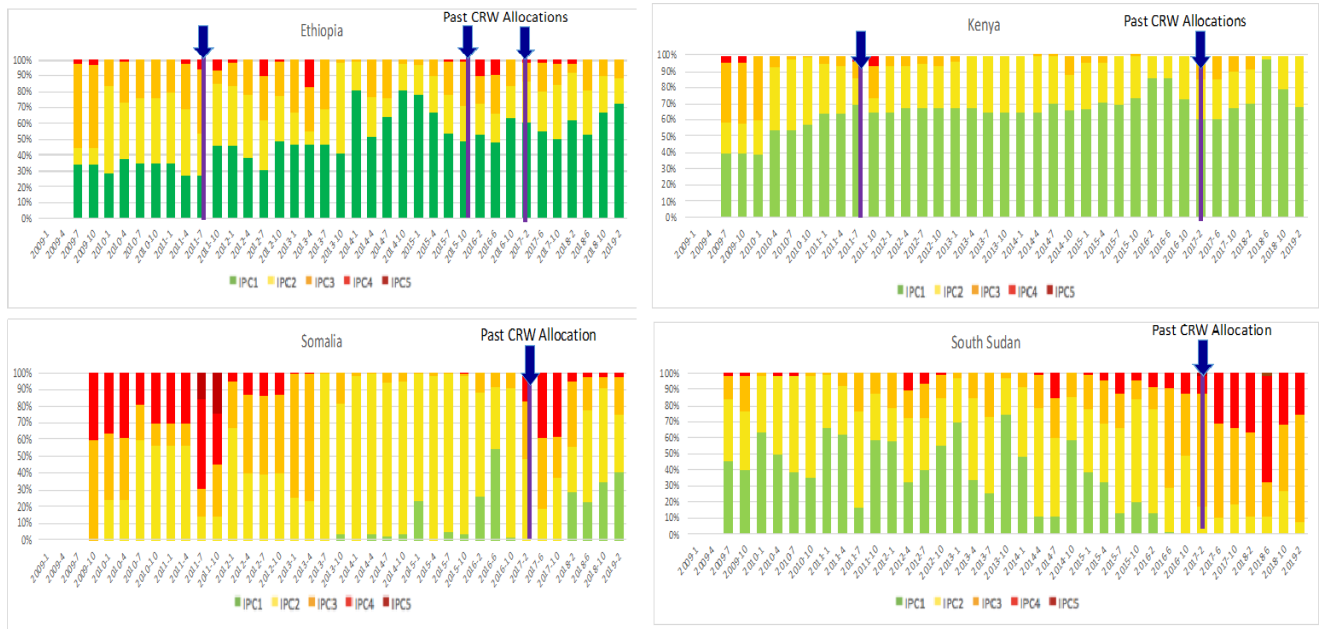
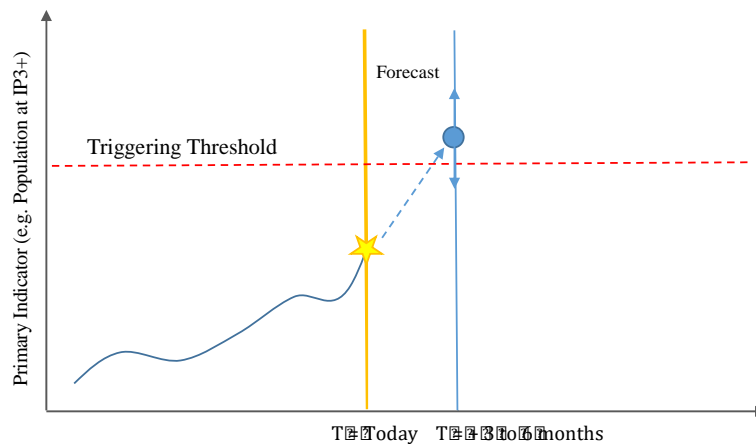
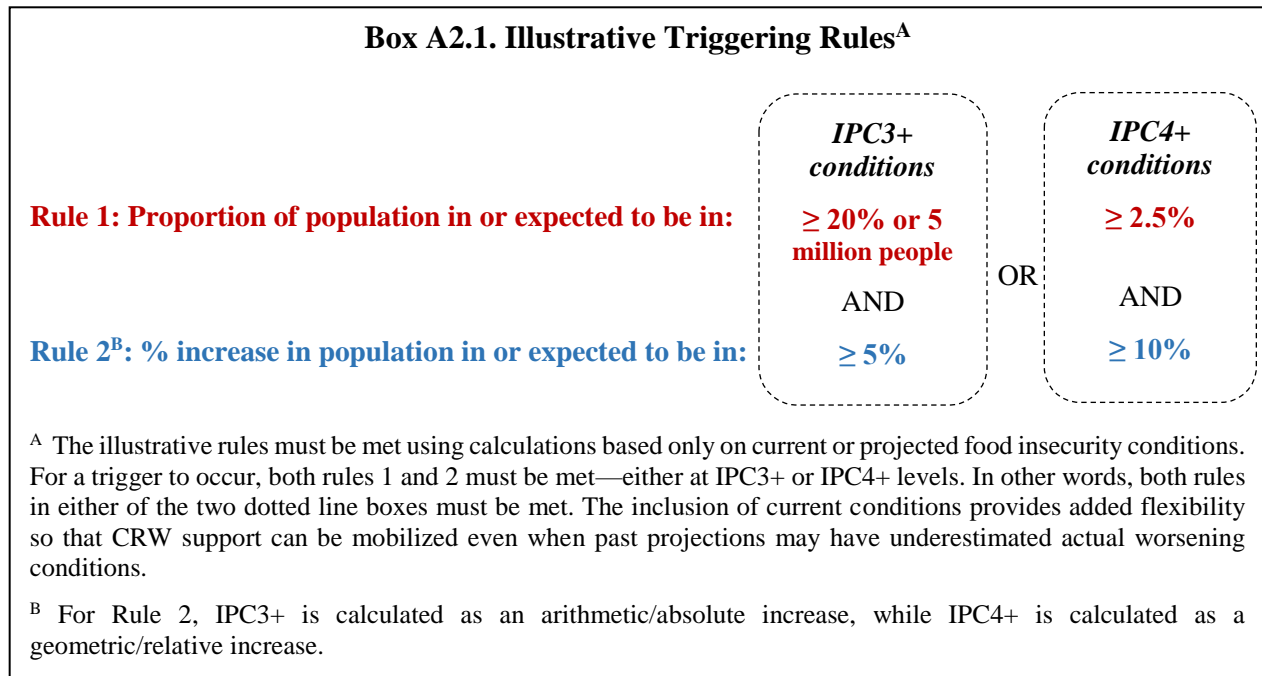


Figure A2.2: Illustration of Triggering Methodology Based on Forecasts



¹⁶ FEWS NET’s near-term (up to four months) and medium-term (four to eight months) food insecurity forecasts are conducted over a wide geographical scope. To project food insecurity outcomes, FEWS NET develops assumptions about likely events, their potential impacts and expected responses by humanitarian and other actors. For this illustrative analysis, FEWS NET’s medium-term forecasts have been used for 20 countries at high risk of experiencing food insecurity crises.

6. **The release of CRW resources would be triggered if actual food insecurity conditions or projected values (Figure A2.2) of food insecurity cross a predefined threshold.** Thresholds would be set to trigger CRW resources when food insecurity values indicate that: (i) a pre-specified percentage of the population is, or is expected to be, in IPC3+ conditions; and (ii) when this percentage is growing, or expected to grow, beyond a certain level. These two rules would be applied to IPC3+ or IPC4+ levels, with differentiated thresholds as per Box 1, which sets out illustrative triggering rules. If retroactively applied, these rules would have captured all past CRW allocations for severe food insecurity.



7. **The first triggering rule is based on the proportion of a country’s population¹⁷ that is, or is projected to be, in IPC3+ (“crisis” level or worse) food insecurity conditions and sets a minimum severity level for which the CRW should be mobilized.** IPC3 is a critical point of intervention as these conditions reflect crisis situations in which the affected populations are experiencing, or are at risk of experiencing, high food consumption gaps and elevated rates of acute malnutrition. These conditions are also typically accompanied by accelerated depletion of livelihood assets, leaving the affected populations highly susceptible to future shocks. Earlier interventions can hence help slow or avoid this asset depletion, thereby mitigating the impact on the affected communities.

8. **The second triggering rule captures worsening trends and helps distinguish from chronic food insecurity conditions (which should be addressed by core IDA resources as part of a country’s development portfolio).** This rule helps mitigate the risk of substitution between CRW and core IDA resources and preserves the CRW’s objective as a vehicle that provides

¹⁷ Besides the percentage of a country’s population, the absolute number of people in IPC3+ conditions would also be considered. This accounts for countries with large overall populations where people in highly vulnerable conditions may comprise a modest percentage, but the numbers are high in absolute terms.

additional resources for responding to specific crisis episodes. The illustrative figures represent about the 70th percentile in terms of rates of increase, thereby avoiding highly recurrent or prolonged situations that could trigger the CRW repeatedly.

9. To provide additional verification when such thresholds are breached, a technical assessment¹⁸ would be conducted to corroborate the worsening outlook by making use of additional qualitative and quantitative information.

10. **As CRW early response financing is meant to support interventions for an emerging food insecurity event before it escalates into a more serious one, the illustrative triggers above are based on actual and anticipated food insecurity as captured by FEWS NET.** Over time, the ambition is to build a model that can update food insecurity forecasts based on more frequent observations of drivers and can be used to simulate the distribution of future possible outcomes. In this regard, the World Bank has been partnering with food insecurity experts such as FEWS NET and IPC, alongside academic institutions and other stakeholders, to develop a forecasting model that can complement and build upon established systems. The potential applications of such modelled forecasts—for instance, to inform the illustrative triggering rules—will be assessed as part of technical reviews. The source of forecasts and trigger levels for CRW early response financing will be finalized by Management before the launch of IDA19.

Country-Specific Analysis of Risks

11. **Although the illustrative thresholds above provide a common metric across countries for determining potential eligibility for CRW resources, there may be risks that arise which do not breach such thresholds but still warrant CRW early response financing.** The illustrative thresholds have been developed on a best efforts basis; however, unique situations can arise which require earlier interventions even in the absence of a trigger. This applies particularly when the food insecurity thresholds may not be available for an IDA country due to a lack of comparable data or forecasting information. To ensure that IDA countries in such situations are not unduly excluded from CRW support, a country-specific analysis of risks could also be used to assess eligibility. Such additional flexibility will be balanced with analytical rigor to help inform whether or not to deploy CRW early response financing. The analyses would be required to demonstrate that the CRW is indeed responding to an “out of the ordinary” event. The aforementioned technical assessment—which would entail reviewing country-level evidence, drawing upon local early warning systems, advising on the reliability of local data, and/or consulting with country-level counterparts—would provide such additional rigor to the process. The information and indicators used for country-specific analyses would be consistent with international standards to represent common denominators of human welfare and livelihoods such as acute malnutrition and mortality.

¹⁸ This technical assessment will be conducted by subject matter experts in the Bank, in consultation with external experts. The external experts will not have a decision-making role on the use of CRW early response financing. Such financing will be approved by the IDA Board.

B. Disease Outbreaks

12. The triggers for CRW early responses to disease outbreaks would be the same as those currently used for the Pandemic Emergency Financing Facility (PEF) Cash Window. Table 1 below sets out the triggers relating to pathogen coverage and severity thresholds. A potentially-eligible outbreak will be referred to subject matter experts—the WHO’s Strategic & Technical Advisory Group for Infectious Hazards (STAG-IH)¹⁹—for a technical assessment.

Table A2.1. Pathogen-specific laboratory confirmed case number thresholds
(higher thresholds apply where epidemiological or genetic evidence of sustained human to human transmission is not available)

Pathogen	Threshold where epidemiological or genetic evidence of sustained transmission within the human population is available: number of epidemiologically-linked, laboratory-confirmed cases arising in IDA countries from a single outbreak and occurring over a 4-week period within the 6 weeks immediately prior to the application	Threshold where epidemiological or genetic evidence of sustained transmission within the human population is <i>not</i> available: number of laboratory-confirmed cases arising in IDA countries from a single outbreak and occurring over a 4-week period within the 6 weeks immediately prior to the application
Influenza (novel influenza subtype, or an influenza A virus whose hemagglutinin gene is antigenically distinct, due to an antigenic shift, from those in seasonal influenza viruses)	30	100
Filoviruses (e.g., Ebola, Marburg)	30	100
Coronaviruses which are not already endemically transmitted in human populations (e.g. MERS, SARS)	30	100
Lassa fever	N/A	100
Rift Valley Fever	N/A	100
Crimean Congo Hemorrhagic Fever	30	100
Nipah virus	N/A	100
Chikungunya	N/A	200
Zika	N/A	200
Smallpox (or, in future, any other human pathogen after its elimination from the human population)	N/A	2
Other known or novel zoonotic viruses (including, but not limited to equine encephalitis viruses, Hanta viruses, West Nile, Monkeypox)	30	100

¹⁹ Constituted by WHO to provide independent analysis on infectious hazards that may pose a potential threat to global health security, STAG-IH members are leaders in the relevant fields of public health and science. See Annex 6 of the Deputies’ Report for more information on the role of the STAG-IH in CRW early response allocations.

ANNEX 3. IDA19 IFC-MIGA PRIVATE SECTOR WINDOW

1. **At the June 2019 Replenishment meeting, Participants welcomed the continuation of the IFC-MIGA Private Sector Window (PSW) and expressed overall support for the new proposals to be implemented under IDA19.** Participants inquired about IDA19 PSW allocations in the light of expected PSW delivery in IDA18; and requested clarification on the proposal to use a limited amount of PSW resources to support investment in non-PSW eligible IDA countries under IFC's programmatic platforms. Related to this proposal, Participants requested further information on how Management will ensure the focus will remain on the poorest and most fragile countries, including through strict criteria. Some Participants also called for increased transparency around the PSW given the subsidy involved. The purpose of this Annex is to provide additional information and clarification on these issues.

A. IDA18 implementation lessons and IDA19 expected delivery

2. **The PSW was introduced in IDA18 and utilization began to ramp up after an initial slow start in FY18.** As of August 31, 2019, 28 projects for a total of US\$603 million have been supported under PSW, including US\$240 million in support of 13 projects in FCV countries. Of this total amount, 14 projects equivalent to of US\$393.3 million were approved in FY19 alone. Furthermore, there is a downstream pipeline of over US\$1 billion that is past concept approval and an additional US\$1.1 billion in identified 'midstream' opportunities, including projects to be supported by the four PSW facilities.

3. **The initial slow pace of PSW Board project approvals in IDA18 can be attributed to several factors which are expected to play less of a role in IDA19.** These include (a) the time required to set up the PSW governance framework; (b) lengthier origination efforts in ramp-up phase, and high levels of attrition particularly for the Risk Mitigation Facility (RMF); (c) steep learning curves for WBG teams; and (d) IFC organizational realignment in IDA18. Specifically:

- *Time required to set up PSW governance framework:* Setting up the PSW required the establishment of governance mechanisms, internal systems and decision-making processes, including legal agreements, cost recovery arrangements, introduction of new processes to manage accounting and financing of PSW transactions, and several system modifications. A large part of these mechanisms took a significant amount of time to develop given differences in processes, systems and governance across the three WBG institutions.
- *Lengthier origination efforts in the ramp up phase and high attrition of RMF:* Origination efforts in PSW eligible countries have taken a long time to bear fruit, in part due to the difficult business environments of IDA-only and FCV countries, often resulting in higher costs and deeper levels of due diligence. Infrastructure investments in these markets tend to have even longer gestation periods. Additionally, the RMF project pipeline, designed to support investments in infrastructure, has experienced high levels of attrition, as WBG

teams opted for more appropriate types of guarantees, based on country context and policy dialogue.²⁰

- *Steep learning curve for WBG teams:* The early years of PSW presented a learning curve for IFC and MIGA teams, as they had to become familiar with processes and eligibility criteria for accessing PSW resources. This was also the case for Bank country and sector teams, where consultations and project reviews leading to decision making on PSW projects have introduced new work streams. After a two-year implementation period, an increasing number of staff has become familiar with PSW, as more IFC, MIGA and WB teams work together on PSW supported projects. IFC's Blended Finance Department, along with the PSW Secretariat, have also compiled a series of guidance notes, outreach efforts and helped promote joint engagement to bridge the learning gap in both institutions which is in turn expected to improve reviews and support teams that are considering whether and how to access the PSW in IDA19.
- *IFC organizational realignment in IDA18.* IFC underwent significant restructuring to better position it to deliver on its creating markets strategy. With changing roles and responsibilities across many investment teams, IFC's total program delivery fell from US\$23.3 billion in FY18 to US\$19.1 billion in FY19. As the largest implementer of PSW, IFC's organizational realignment impacted PSW delivery and pipeline development as well. Many projects in the pipeline progressed slowly. However, PSW remains one of the key tools in IFC's toolbox to implement its 3.0 strategy. With the restructuring completed in FY20, investment teams are expected to be better positioned and re-aligned to deliver on IDA19 PSW ambitions.

4. **Over IDA18, IFC teams have developed a strong PSW pipeline which will enable IDA19 delivery.** This pipeline has been supported, among others, by advisory services of the IFC Creating Markets Advisory Window (CMAW) to more strategically support help address some sectors, such as affordable housing in Africa, Digital Economy and SMEs. These efforts are expected to enhance the long-term pipeline to support IDA19 delivery. IFC has also created Upstream Units and appointed managers for each industry to focus on early project development. In addition, allocations across facilities are also being better aligned to emerging demand for blended finance support in infrastructure and energy sectors.

5. **Management anticipates a strong delivery of PSW projects with over US\$1.6 billion in Board approvals expected in FY20.** With nearly US\$1.5 billion in downstream pipeline and midstream opportunities, this level of delivery is considered feasible given previous time taken to prepare already approved PSW supported proposals while factoring expected pipeline growth and

²⁰ The RMF pipeline was impacted in part by the need to further elaborate on the country and sectoral contexts for which RMF guarantees were most appropriate, compared to other similar WBG guarantees. For several PSW pipeline projects, for instance, it was determined that policy dialogue was essential to generate much needed sector reforms, leading to the adoption of a Bank's Policy Based Guarantees or Payment Guarantees rather than the RMF.

attrition.²¹ The PSW pipeline represents a diversified mix of investments in infrastructure, financial services, manufacturing and agriculture across all PSW facilities.

6. **While delivery could remain lumpy as larger projects come on stream, Management fully expects to deliver the US\$2.5 billion proposed allocation in IDA19.** The last 12 months have seen a delivery of around US\$400 million, indicating the possibility to reach a steady state of around US\$800-US\$900 million per annum, adding up to US\$2.5 billion. Given continued very strong support from IDA Deputies and Borrower Representatives, and as evidence on delivery and impact builds up, Management could further review this allocation at the IDA19 Mid-Term Review.

B. Increasing transparency around PSW's Concessional Support

7. **At the June Replenishment meeting, some Participants called for increased transparency around the PSW given the subsidy involved.** Consistent with the IFC's Blended Finance governance and the DFI Enhanced Principles of Blended Finance for Private Sector Projects, IFC has been disclosing to IFC Board the value of the concessional element (or subsidy) for each transaction utilizing concessional blended finance, including those supported by PSW. As of today, IFC is the only international financing institution to disclose this information. All PSW subsidies are calculated as a percentage of total project cost and disclosed to IDA Board in the associated IDA Memorandum of the President which accompanies each IFC (and MIGA) Board papers. MIGA has been following similar practices for projects tapping into the PSW MIGA Guarantee Facility.

8. **PSW disclosures will be enhanced ahead of IDA19 to further increase transparency.** Starting with projects mandated on or after October 1, 2019, IFC will include in the Summary of Investment Information (SII) the estimated subsidy element for each PSW project proposal, together with the rationale for subsidy utilization.²² This will apply to the PSW and other IFC blended concessional finance facilities. Similarly, MIGA discloses summaries of proposed guarantees (SPGs) through MIGA's website prior to consideration by MIGA's Board of Directors. In line with this, the PSW website²³ will also disclose subsidy information from both IFC and MIGA originated project proposals. The website will be further enhanced during IDA19 to include project results and impact outcomes as these become available.

C. Clarification on the 20 percent cap under programmatic approaches

9. **At the June Replenishment meeting, Participants agreed to allow PSW resources to support programmatic interventions,** where up to a maximum of 20 percent of the total investment supported by a program may be located outside of IDA PSW eligible countries, i.e.,

²¹ PSW approved projects have taken an average of four months from concept to approval. PSW mid-stream opportunities have remained stable at around US\$1 billion over the last year which feeds downstream pipeline. Historical attrition levels stand at 25 percent of total proposals in the downstream pipeline over the last two years.

²² SIIs are posted on IFC website in according with the Corporation's public disclosure policy. IFC discloses project information for Environmental and Social (E&S) purposes, and separately on development outcomes of IFC investments through the DOTS. Investments are disclosed prior to consideration by IFC's Board of Directors.

²³ <https://ida.worldbank.org/replenishments/ida18-replenishment/ida18-private-sector-window>

countries that are not eligible for IDA PSW support, but are otherwise eligible to receive IDA funding. Several Participants, however, asked Management to ensure this would not result in a dilution of PSW's focus on the most challenging environments.

10. **The rationale for this proposal is anchored on two objectives:** (i) to promote cooperation with other development partners or blended finance programs whose target countries do not completely overlap with PSW eligible countries; and (ii) to enhance the ability to work with investors (or Project sponsors) who are implementing regional/global investments which need PSW support to cover riskier markets (which are in turn eligible for PSW support). The enhanced flexibility would open new possibilities to work together with other Blended Finance players including European Commission's External Investment Program (EIP) and others. Through partnering with other donors, IFC will be able to expand programmatic platforms, such as the Small Loan Guarantee Program, where an expanded first loss layer contributed by both PSW and other donors can increase local currency financing to SMEs in PSW countries by a multiple of the first loss layer provided by PSW alone. This in turn will help ensure that there is continued focus on the most difficult markets, from PSW and other donor-funded initiatives alike.

11. **The adjustment would also enable PSW to better support regional project sponsors and impact investors while benefiting PSW countries with increased investment amounts.** Under IDA18, there have been several PSW-supported SME-focused private equity funds and pooled risk sharing facilities which adopt regional strategies in Africa and rely on some portfolio diversification to mitigate macro and political risk and be able to attract and deliver to their respective investors. These funds and similar platforms will continue to require blended finance to support investments in the most challenging markets. As of today, a waiver was sought for the proposal on a project by project basis, but a more standard approach is desired in IDA19 in order to allow IFC teams to better originate transactions of this nature and ultimately increase private sector mobilization in these markets. This approach could also involve projects in new sectors, where venture capital investments are needed and, which would need to prioritize investment regional hubs to impact beneficiaries in PSW eligible countries.

12. **The mechanism for implementing this arrangement will seek to limit downside risks of allowing PSW resources to benefit projects in non-PSW eligible countries.** If not managed well, there is a potential risk of diversion of PSW resources from the more challenging markets which run contrary to the PSW objectives. To mitigate this risk, the following provisions will guide such allocation decisions:

- *A maximum of 20 percent of such programs or regional investments will be outside of IDA PSW eligible countries that are otherwise eligible to receive IDA funding.* For instance, as illustrated in Figure A3.1, a program with US\$100 million overall investments will not have more than US\$20 million investment located outside of the PSW eligible countries. Management will continue to assess additionality/the rationale for subsidy utilization based on the impact on the PSW-eligible countries under the project. In our example, this would imply asking whether the US\$80 million investment could materialize in PSW countries without PSW support to the program.
- *Total expected investments in PSW countries will need to exceed the PSW allocations in the program.* To ensure adequate leverage of PSW resources, such programs would need

to demonstrate that overall investments targeting PSW eligible countries result in a multiple of PSW allocations. For instance, the PSW allocation of US\$10 million in the above-mentioned example would enable at least US\$80 million in overall project financing through this approach, including investments from IFC, the local lender/fund, and the PSW amount. It should be noted that IFC has internal limits on the percentage of the overall project cost that it may invest and requires capital from the sponsor and other investors for most projects. The leverage effect will be discussed for each project and reviewed by the Blended Finance Committee.

- *Such support will be limited to programmatic approaches and investment platforms.* This would prevent the PSW support from being used for single multi-country projects without clear regional impact. This approach also will ensure a focus on clearly coordinated programs of investments where the overall benefit to PSW countries clearly outweighs the support given to non-PSW countries in the process.

Figure A3.1: Illustrative Example of Programmatic PSW investment under the Proposal

