



IDA20: AN OVERVIEW

Building Back Better from the Crisis: Towards a Green, Resilient, and Inclusive Future

June 11, 2021

ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30

All dollar amounts are US dollars

CCAP	Climate Change Action Plan	IMF	International Monetary Fund
COVID-19	Coronavirus Disease 2019	JET	Jobs and Economic Transformation
DPF	Development Policy Financing	LIC	Low-Income Countries
DSF	Debt Sustainability Framework	MIGA	Multilateral Investment Guarantee Agency
DSSI	Debt Service Suspension Initiative	MDB	Multilateral Development Bank
FCS	Fragile and Conflict-affected Situations	MSME	Micro, Small, and Medium Enterprises
FCV	Fragility, Conflict and Violence	MTR	Mid Term Review
GBV	Gender-Based Violence	ODA	Official Development Assistance
GDP	Gross Domestic Product	PBA	Performance-Based Allocation
GRID	Green, Resilient, and Inclusive Development	PPE	Personal Protective Equipment
GW	Gigawatt	PSW	Private Sector Window
HCI	Human Capital Index	RMS	Results Measurement System
IBRD	International Bank for Reconstruction and Development	SDFP	Sustainable Development Financing Policy
IDA	International Development Association	UN	United Nations
IEG	Independent Evaluation Group	WBG	World Bank Group
IFC	International Finance Corporation	WFP	World Food Programme
IFF	Illicit Financial Flows	WHO	World Health Organization
		WHR	Window for Host Communities and Refugees

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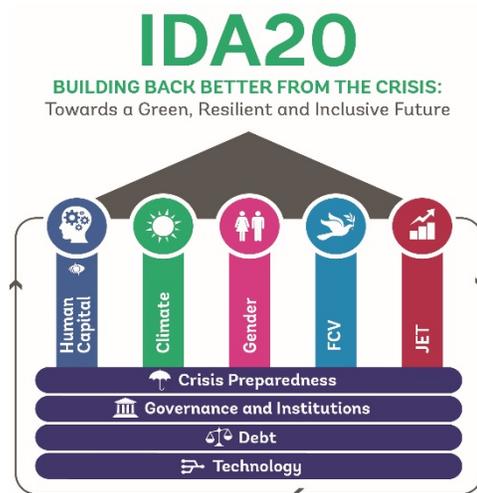
EXECUTIVE SUMMARY

i. **The world’s poorest countries are experiencing major setbacks on their path towards achieving the World Bank Group Twin Goals and the Sustainable Development Goals (SDGs).** The impacts of the COVID-19 pandemic, combined with the growing climate crisis, are eroding development progress of countries eligible for financing from the International Development Association (IDA) (“IDA countries”). Global poverty is increasing for the first time in a generation and disproportionately affecting vulnerable population groups. The crisis is accentuating existing challenges and adding new ones, and IDA countries are expected to face a prolonged and difficult recovery, amid unequal vaccine access.

ii. **Without comprehensive support and remediation, temporary losses in IDA countries may become permanent, with the SDGs increasingly becoming a distant ambition.** IDA countries are hit hard by the impacts of the COVID-19 and climate crises, with compounding effects, including increased food insecurity and migration. Widespread health and education disruptions and job losses are occurring across IDA countries with long-lasting impact on human capital. These crises are driving up public borrowing, while weakening IDA countries’ economic performance and their capacity to service and repay public debt. The tightening of the fiscal space also calls for a stronger private sector to facilitate the recovery. The developing world, in particular IDA countries, now have significantly higher financing needs, which will require substantial assistance from the international community.

iii. **IDA20 will increase support to IDA countries to ensure they have the resources they need to end the COVID-19 pandemic and start to build back better and greener from the crisis.** During IDA20, support will address the linkages between people, economy, and the planetⁱ and will be provided under the overarching theme of “*Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future.*” The policy and financing package will *target support*, through a sharpened focus on reaching the poorest and most vulnerable; *build resilience*, by providing cushioning against future shocks and strengthening crisis preparedness; *accelerate green, climate friendly development*, by stepping up ambition on climate change; and *invest in people*, through addressing inequalities and boosting investments in human capital.

Figure ES. 1. IDA20 Overarching Theme



iv. **The increased ambitions of IDA20 will be guided by an enhanced policy framework underpinned by mutually reinforcing Special Themes and Cross-Cutting Issues.** *Human Capital* is introduced as a new Special Theme and *Crisis Preparedness* as a new Cross-Cutting

ⁱ See also World Bank, *From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)* (Washington, D.C.: World Bank Group, 2021).

Issue in IDA20, to provide a stronger foundation for IDA countries' inclusive and resilient recovery. IDA20 will also involve scaling up ambitions under the Special Themes of *Climate Change, Gender and Development, Fragility, Conflict and Violence*, and *Jobs and Economic Transformation*, as well as the Cross-Cutting Issues of *Debt* and *Technology*. Underpinned by a broadened focus on strengthening *Governance and Institutions* across Special Themes, this will allow IDA to build on the strong progress made in IDA19, while innovating and targeting support to meet recovery needs and longer-term development priorities.

v. **The IDA policy and financing framework provides a robust and efficient basis for supporting country driven priorities, results, and impact.** IDA financing volumes have increased significantly over time and have benefited in recent years from important innovations, such as IDA's hybrid financial model and the Private Sector Window. The increased volumes have enabled IDA to target a proportionally higher share of its financing to countries with the greatest needs, including IDA Small States and IDA countries characterized as Fragile and Conflict-affected Situations. IDA provides support to countries through unearmarked country allocations, which are enhanced through access to IDA's financing windows. This framework, combined with IDA's country-driven model, financing instruments, advisory services and analytics, and strong in-country presence, represents a significant comparative advantage for IDA to work with governments on the most complex development challenges and reach the poorest and most vulnerable populations.

vi. **Meanwhile, IDA continues to broaden and deepen partnerships with a spectrum of development actors—including with international organizations, multilaterals and bilateral partners, the private sector, and civil society—to further enhance impact.** This has been exemplified during the pandemic, through the ongoing, coordinated response with COVAX, the World Health Organization, the United Nations, and bilateral donors in supporting IDA countries to accelerate vaccine rollout and ensure equitable and affordable access to all. With a revamped IDA20 Results Measurement System that incorporates key priorities under the Special Themes and Cross-Cutting Issues, results in IDA20 will be further aligned with the SDGs and oriented toward tangible development outcomes.

vii. **The increased ambitions of the IDA20 policy package imply the need for a robust financing framework with a proposed Base Case of \$90 billion.** The IDA20 financing framework builds on mechanisms to maximize development assistance to IDA countries drawing on multiple resources. IDA is innovating to optimize its balance sheet to make the most of donor contributions and IDA resources, while preserving IDA's triple-A rating. A Base Case of \$90 billion is proposed, comprising a blend of internal resources, partner contributions, leveraging through market debt, and balance sheet optimization options. This Base Case implies new donor contributions of \$24.9 billion. This Base Case, together with IDA20's ambitious policy package, would place IDA in a strong position to make an impactful contribution to those countries and populations that need it most. The Ask Paperⁱⁱ and accompanying Financing Framework Paperⁱⁱⁱ provide the implications in detail for the Base Case, as well as options for a Low and a High Case, presented for IDA20.

ⁱⁱ World Bank, *IDA20 Ask Paper: Demand, Architecture, and Scenarios* (Washington, D.C.: World Bank Group, June 2021).

ⁱⁱⁱ World Bank, *IDA20 Financing Framework* (Washington, D.C.: World Bank Group, June 2021).

I. INTRODUCTION

1. **The global crisis is giving rise to both immediate needs and accentuated long-term development priorities, requiring rapid and substantial assistance to support efforts to recover and rebuild in the poorest countries.** The dual impacts of COVID-19 and the growing climate crisis are spurring a major setback to progress in global well-being, and the world's poorest countries are quickly moving backwards on their path to achieving the Sustainable Development Goals (SDGs). The urgency is particularly evident in countries eligible for financing from the International Development Association (IDA) that are suffering major economic declines and face a prolonged recovery.¹ Poverty in IDA countries is rising, with year-on-year Gross Domestic Product (GDP) growth having declined by an average six percentage points in 2020, with some tourism-dependent Small Island Economies facing more severe impacts. Financing needs are rising sharply, and the international community needs to act in solidarity and support IDA countries in addressing their immediate needs, their resilient recovery and longer-term development priorities.

2. **This paper presents a roadmap for the contributions that IDA20 can make to support IDA countries to respond, recover and build back better from the crisis.** Building on previous and accompanying papers, this paper provides a synopsis of current challenges related to worsening poverty and climate deterioration, backtracking on the SDGs, debt vulnerabilities, and financing needs in IDA countries in Section II. An overview of the proposed policy agenda for IDA20 and priorities related to each of the five Special Themes and four Cross-Cutting Issues is provided in Section III. IDA's unique features to deliver impact during the IDA20 period are presented in Section IV, followed by the proposed financing package in Section V and conclusions in Section VI. A summary of the proposed IDA20 policy commitments is provided in Annex 1.

II. THE CHALLENGE FOR IDA20

A. Backsliding on Poverty and Achievement of the SDGs

3. **Global poverty is increasing for the first time in a generation, triggered by the COVID-19 pandemic, with likely long-term impacts.** The year 2020 marked the first year in which poverty increased in over two decades, and the number of poor in IDA countries is estimated to reach close to 320 million in 2021 compared to 245 million in 2015 (see Figure 2.1). The poverty rate (at \$1.90 a day) in 2021 is projected to increase by between 3.1 to 3.6 percentage points in IDA countries relative to pre-COVID-19 projections, which is much higher than the estimated 1.5 to 1.6 percentage points increase for non-IDA countries, thereby further increasing inequities between countries.² These trends are forecast to continue through the end of the decade, with an estimated 24 to 25 percent of the IDA countries' population living below the International Poverty Line by 2030.³ Projections also point to a sharp drop in shared prosperity and other dimensions of

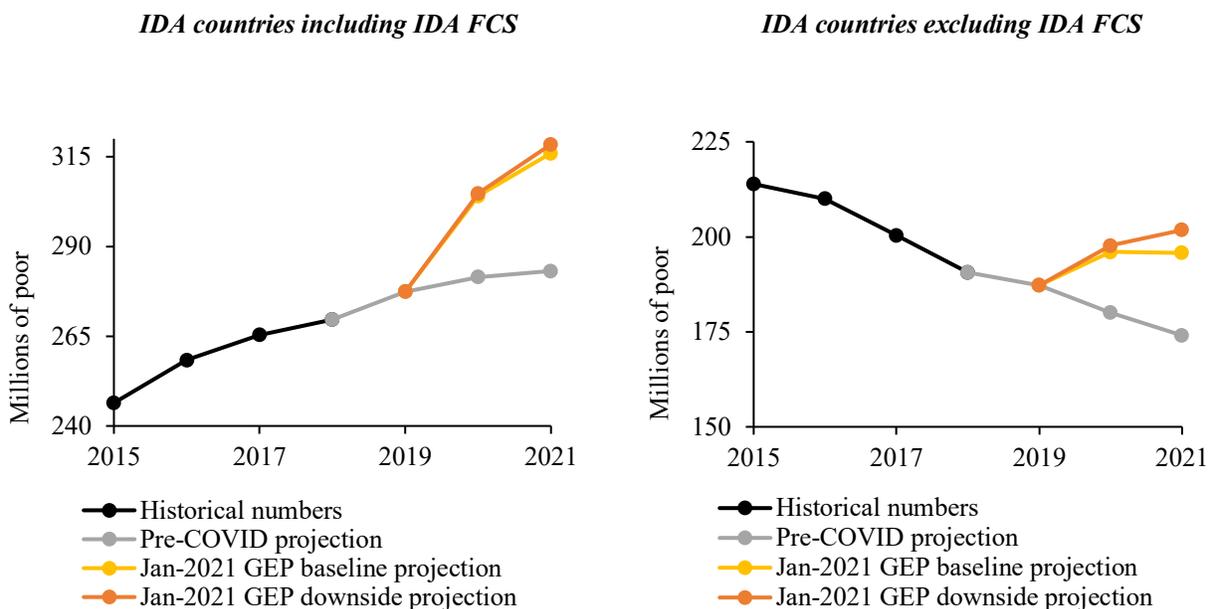
¹ World Bank, *Global Economic Prospects* (Washington, D.C.: World Bank Group, June 2021).

² The estimated poverty rate increase in Sub-Saharan Africa range from 3.7 to 4.3 percentage points in 2021. The poverty rate for IDA FCS is projected to increase between 4.4 to 4.7 percentage points.

³ The projection assumes population growth in IDA countries, but that all current IDA countries remain eligible to IDA financing in 2030.

well-being in nearly all economies on account of the pandemic, exacerbating already weak pre-pandemic performance in IDA countries. It is estimated that there will be zero growth of incomes for the bottom 40 percent of the global population over the period 2019-2021.⁴

Figure 2. 1. Number of Extreme Poor – Projected Impacts of the COVID-19 Pandemic



Source: Calculations based on data in <https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021>.

4. Increases in poverty disproportionately affect vulnerable and disadvantaged population groups and in particular the populations in IDA countries characterized as Fragile and Conflict-affected Situations (FCS), forcibly displaced populations, people with disabilities, and women. Prior to the onset of COVID-19, up to two-thirds of the world’s extreme poor were projected to live in situations affected by fragility and conflict by 2030.⁵ In 2020, COVID-19 pushed an additional 23 million people in IDA FCS into extreme poverty.⁶ The most vulnerable people and communities have been disproportionately impacted, including women and girls, people with disabilities, and forcibly displaced populations. Inequality is rising, across sectors and locations, and informal and small firms are being disproportionately hurt. Gains in accumulation of women’s human capital, economic empowerment, and voice and agency achieved over the past decades are at serious risk of reversing. And the lack of economic certainty and disruptions in public services, combined with social norms and socio-economic inequality, have triggered alarming increases in gender-based violence (GBV), particularly in IDA FCS.

⁴ World Bank, *Poverty and Shared Prosperity 2020: Reversals of Fortune* (Washington, D.C.: World Bank Group, 2020).

⁵ Corral, Paul, et al., *Fragility and Conflict: On the Front Lines of the Fight against Poverty*. (Washington, D.C.: World Bank Group, 2020).

⁶ World Bank, *IDA20 Special Theme: Fragility, Conflict & Violence* (Washington, D.C.: World Bank Group, June 2021).

5. **The declines brought by the COVID-19 pandemic are accompanied by the growing climate crisis which can potentially push millions into poverty.** Economic shocks from the pandemic are coupled with the ongoing and accelerating climate change crisis. The global poor, including those living in IDA FCS and Small States, are especially vulnerable to the adverse impacts of climate change despite being the least responsible for greenhouse gas emissions. Estimates suggest that if unchecked, the effects of climate change and its distributional implications will push 132 million people into poverty over the next 10 years.⁷

6. **Furthermore, economic shocks, resource degradation, natural disaster risks, and food insecurity can play a role in driving or exacerbating conflicts, violence and forced displacement.** The risks of both internal displacement and, to a lesser extent, international migration, may increase due to more intense and frequent storms, increased drought and desertification, rising sea levels and reduced agricultural productivity.⁸ The World Food Programme (WFP) estimates that 174 million people across 58 countries are experiencing crisis levels of food insecurity (IPC3)⁹ a 30 percent increase from 2019, with 34 million people in 17 countries at risk of famine.¹⁰ By 2022, an estimated 9.3 million additional children would suffer from acute malnutrition, and 2.6 million children would be stunted.¹¹

7. **Widespread health and education disruptions are occurring across IDA countries, with long-lasting effects on human capital.** Years of progress on health outcomes could be reversed due to shifts in health resources to manage the pandemic. Childhood immunization programs have been interrupted in many countries, with an estimated 80 million children under the age of one going unvaccinated for preventable diseases in lower and middle-income countries.¹² Due to disruption in health services, the malaria burden in Sub-Saharan Africa will likely increase significantly, and maternal and child mortality in IDA countries is estimated to increase by 12 percent and 18 percent respectively due to the supply and demand side constraints to access health services and food.¹³ Estimates based on 157 countries also suggest that the COVID-19 pandemic could lead to a loss of between 0.3 and 0.9 years of schooling, and pandemic-related income shocks could force close to seven million students from primary up to secondary education to drop out, with learning poverty estimated to rise from 83 to more than 90 percent in IDA countries and a disproportionate impact on girls, including through increased vulnerability

⁷ Jafino, Bramka Arga, et al., *Revised estimates of the impact of climate change on extreme poverty by 2030* (Washington, D.C.: World Bank Group, 2020).

⁸ World Bank, *IDA20 Special Theme: Climate Change* (Washington, D.C.: World Bank Group, June 2021).

⁹ The IPC utilizes a five-phase scale describing the severity of food emergencies (IPC1 = minimum, IPC2=stressed, IPC3 = crisis, IPC4 = emergency, IPC5 = famine). It is intended to help quickly understand a crisis (or potential crisis) and act.

¹⁰ According to the UN, key at-risk countries include Afghanistan, Burkina Faso, CAR, DRC, Ethiopia, Haiti, Honduras, Madagascar, Mozambique, Nigeria, Somalia, South Sudan, Sudan, Syria, Venezuela, Yemen and Zimbabwe.

¹¹ See *WFP and FAO. 2021. Hunger Hotspots. FAO-WFP early warnings on acute food insecurity: March to July 2021 outlook. Rome*

¹² Nelson, Roxanne, *COVID-19 disrupts vaccine delivery*. *The Lancet Infectious Diseases* 20.5 (2020): 546.

¹³ Hogan, Alexandra B., et al., *Potential impact of the COVID-19 pandemic on HIV, tuberculosis, and malaria in low-income and middle-income countries: a modelling study*. *The Lancet Global Health* 8.9 (2020): e1132-e1141.

for abuse and early pregnancy.¹⁴ With dropout rates increasing, the current generation of children in IDA countries is standing to lose \$700 billion in future lifetime earnings.¹⁵

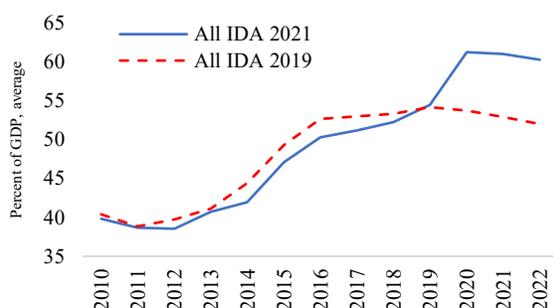
B. Heightened Financing Needs in IDA Countries

8. **The COVID-19 crisis is driving up public borrowing in IDA countries and weakening their capacity to service and repay public debt.** Public debt vulnerabilities in IDA countries were already on the rise prior to the pandemic due to increased fiscal spending and a shift towards more expensive debt, including non-Paris Club and market-based debt. Public debt levels in IDA countries increased from an average of 40 percent of GDP in 2010 to 54 percent of GDP at the end of 2019 and are estimated to have reached 61 percent at the end of 2020 (Figure 2.2a), reflecting increased indebtedness to meet COVID-19-induced spending.¹⁶

9. **The risk of debt distress is rising, with 54 percent of IDA countries covered in the Low-Income Country (LIC) Debt Sustainability Framework currently facing a high risk of, or already in, external debt distress** (Figure 2.2b). Countries' capacity to service and repay elevated public debt is expected to recover only slowly, with GDP, revenue, and exports remaining below their pre-COVID-19 paths.¹⁷ For this reason, many countries will rely on grant financing to support their COVID-19 response and broader recovery efforts.

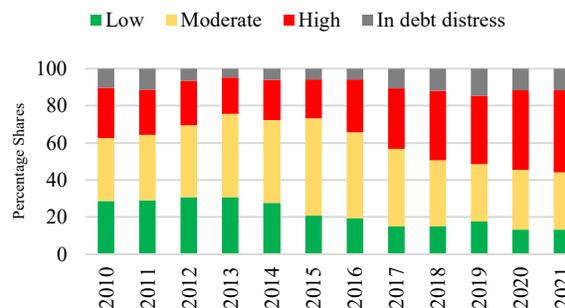
Figure 2. 2. Rising Debt Levels and Worsened Risk Ratings

Figure 2.2a: Public Debt in IDA Countries



Source: *World Economic Outlook 2021, 2019*.

Figure 2.2b: Risk of External Debt Distress in IDA Countries



Source: *World Bank/IMF LIC DSF Database as of end-March 2021*.

10. **The developing world, in particular IDA countries, will require significant assistance from the international community to support their efforts to respond, recover, rebuild, and achieve their long-term development goals.** Overall financing needs are expected to remain elevated over the near term, and external financing needs in low-income countries in particular are

¹⁴ World Bank, *IDA20 Special Theme: Human Capital* (Washington, D.C.: World Bank Group, June 2021).

¹⁵ Azevedo, J. P., *Learning Poverty: Measures and Simulations*. Policy Research Working Paper No. 9446. (Washington, DC: World Bank Group, 2020).

¹⁶ International Monetary Fund, *World Economic Outlook* (Washington, D.C.: IMF, 2021).

¹⁷ World Bank, *Cross-Cutting Issues in IDA20* (Washington, D.C.: World Bank Group, June 2021).

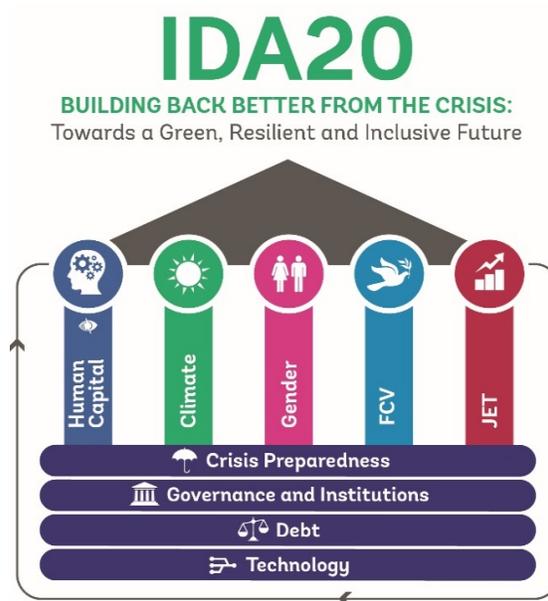
expected to increase as a result of the crisis. With growing current account deficits and debt amortization in LICs resulting from the global economic slowdown, the estimates indicate that external financing needs in LICs over the IDA20 period (FY23-25) will be \$429 billion.¹⁸ It is further estimated that in order to return to a path of convergence with advanced economies, LICs would require yet an additional \$310 to \$376 billion over that period.¹⁹ However, Overseas Development Assistance (ODA) flows currently remain uncertain, with indications of a small decline or stagnation at best, largely due to donors' tight fiscal conditions.²⁰ This presents a serious quandary for IDA countries. Increasing debt vulnerabilities coupled with high development expenditure needs increase the need for grant financing to support COVID-19 response and recovery efforts at a time when concessional resources are being scaled back significantly.

III. IDA20 STRATEGIC FRAMEWORK

A. IDA20 Overarching Theme

11. **An ambitious IDA20 replenishment is an opportunity to scale up support to IDA countries' COVID-19 response and recovery as they restore and enhance their development trajectory towards the 2030 development agenda.** Under the overarching theme of “*Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future*”, and aligned with the World Bank Group’s (WBG) Green, Resilient and Inclusive Development (GRID) approach,²¹ an advanced IDA20 is an opportunity for IDA countries to recover from the COVID-19 crisis, build back better and greener, and get back on their trajectory towards achieving the Twin Goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner. In particular, under the IDA20 overarching theme, IDA will: (i) *target support*, through a sharpened focus on reaching the poorest and most vulnerable; (ii) *build resilience*, by providing cushioning against future shocks, including through strengthened crisis preparedness; (iii)

Figure ES.1. IDA20 Overarching Theme



¹⁸ World Bank, *IDA20 Ask Paper: Demand, Architecture, and Scenarios* (Washington, D.C.: World Bank Group, June 2021).

¹⁹ International Monetary Fund, *Macroeconomic Developments and Prospects in Low-Income Countries*. Policy Paper No. 2021/020. (Washington, D.C.: IMF, 2021).

²⁰ United Nations Inter-Agency Task Force on Financing for Development, *Financing for Sustainable Development Report* (New York, NY: United Nations, 2021).

²¹ World Bank, *From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)* (Washington, D.C.: World Bank Group, 2021).

accelerate green, climate friendly development, by stepping up ambition on climate change, nature-based solutions and biodiversity; and (iv) *invest in people*, by addressing inequalities and boosting investments in Human Capital.

12. **The existing IDA framework provides a strong foundation to support these efforts but will require a sharpened focus in a number of areas to reflect new challenges and increased ambition.** A successful IDA20 will require, also as recently recognized by the international community with regard to Africa,²² increasing ambition under the Special Themes of *Climate Change, Gender and Development, Fragility, Conflict and Violence (FCV)* and *Jobs and Economic Transformation (JET)*, as well as the Cross-Cutting Issues of *Debt* and *Technology*. It also calls for innovations to the policy framework by introducing *Human Capital* as Special Theme in IDA20 and *Crisis Preparedness* as a new Cross-Cutting Issue. Underpinned by a broadened focus on strengthening *Governance and Institutions* across all Special Themes and strong emphasis on inclusion, this will allow IDA to deepen and scale up existing efforts, while adjusting and innovating for COVID-19 recovery needs to ensure inclusive and sustainable longer-term growth and development.

B. Special Themes

13. **The Special Themes constitute an essential element of the IDA20 package and will serve to maintain a line of sight to the Twin Goals and the 2030 Agenda as the COVID-19 pandemic continues to unfold.** The IDA Special Themes represent areas where IDA and partners agree that intensified and systematic focus is needed; where deeper impact is expected, and where IDA's work and supported results are monitored. Special Themes do not lead to earmarking of IDA spending; rather they provide a framework for prioritizing special issues, pushing the frontiers, and measuring results, while working together with both clients and partners. They build on IDA's comparative advantage and are underpinned by policy commitments that are delivered through IDA operations with due consideration to client demand and absorptive capacities. The IDA19 Special Themes have been critical in guiding support to IDA countries' response to the COVID-19 crisis and are the foundation on which IDA20 Special Themes are being built on. The enhancements introduced in IDA20 will serve to further sharpen IDA's focus on essential areas of ensuring a green, resilient and inclusive future in IDA countries.

i. Human Capital

14. **IDA20 will represent a step-change in IDA's approach to Human Capital through a dual-track focus responding to the COVID-19 emergency and its impacts, while creating a strong foundation for an inclusive recovery.**²³ To mitigate the risk of permanent human capital losses, IDA countries need to prioritize immediate and longer-term investments in people as well as in systems. Over the medium term, these investments must be made to ensure universal access to primary health, basic education, and social protection. IDA20 introduces an ambitious dual-track approach to control the pandemic and address COVID-19-driven human capital gaps, while at the same time leveraging human capital investments as an essential element in an accelerated

²² See Declaration issued by the Summit on the Financing of African Economies, May 18, 2021.

²³ The details of IDA's proposed approach under the Human Capital Special Theme are provided in World Bank, *IDA20 Special Theme: Human Capital* (Washington, D.C.: World Bank Group, June 2021).

recovery toward a green, resilient, and inclusive future. The IDA20 policy package will include cross-sectoral and ambitious policy actions targeting the most essential investments needed to strengthen human capital, while firmly anchoring support in the progress made in IDA19.

15. IDA20 will put a premium on preventing and containing the spread of the COVID-19 virus while strengthening systems and essential social service for the poor.

In IDA20, IDA will continue to support the roll-out of national vaccination plans across IDA countries to contain the spread of COVID-19 and save lives, leveraging ongoing partnerships with COVAX, the World Health Organization (WHO), the United Nations (UN), and other development partners to increase global vaccine production, address supply chain and deployment constraints, reduce vaccine hesitancy, and ensure fair and affordable access for all. It will also be critical to reverse the trend of rising mortality and morbidity driven by disruptions to health services, while supporting measures to get children back to school and accelerate the recovery of learning losses, particularly for vulnerable individuals and groups. This will involve support to resilient health systems (including pandemic preparedness and One Health approaches) and education services that can respond flexibly to crises and reach the most vulnerable. Special attention will be accorded to combating food insecurity and malnutrition, as well as expanding adaptive and inclusive social protection and labor systems to compensate income loss due to lockdowns and economic slowdowns, with a focus on reaching vulnerable informal workers (or the under-covered groups). While the crisis remains acute, IDA20 will support initiation of a robust and accelerated recovery to fast track human capital accumulation beyond pre-crisis levels. IDA20 will focus on strengthening inclusive and resilient service delivery systems supported by enhanced capacity to respond to crisis, sustainable financing, and foundational infrastructure, including to ensure provision of water, sanitation, and hygiene services.

Proposed Policy Commitments

- *Boosting COVID-19 vaccination rollout and strengthening pandemic preparedness*
 - *Investing in nutrition, early years and women's empowerment*
 - *Supporting core social service delivery systems*
 - *Expanding adaptive social protection and building resilience to shocks*
 - *Addressing learning poverty and productivity*
 - *Expanding access to core services for persons with disabilities*
 - *Supporting prevention of and preparedness for future pandemics*
 - *Leveraging adequate, efficient financing for human capital*
-

Box 3. 1. Inclusion in IDA20

The inclusion of disadvantaged and vulnerable groups and individuals is essential to ensuring universal access to human capital services. IDA20 will focus on reducing barriers preventing the poor, women and girls, persons with disabilities, indigenous people, refugees and Internally Displaced People, and other at-risk groups based on age, race, ethnicity, religion, or sexual orientation, from achieving their full potential.

The IDA20 Policy Commitments provide a strong framework to sustain the inclusion agenda. IDA20 will promote universal coverage in health and education, including through equitable access to vaccines, quality maternal and reproductive health, and strong foundations for learning, while supporting countries to build adaptive social protection systems that respond to the needs of the most vulnerable. Women will benefit from economic inclusion programs, access to infrastructure jobs, strengthened land rights, higher participation in fiscal policy, and increased access to digital technology. The inclusion of persons with disabilities and of refugees will also be advanced through dedicated policy commitments.

Operationalization of the IDA20 inclusion agenda will be ensured through the identification of, and mitigation of risks on, disadvantaged and vulnerable groups as part of the World Bank's Environmental and Social Framework, which sets out borrowers' responsibilities to implement differentiated measures to protect at-risk individuals. Progress will be monitored through the Results Measurement System (RMS), thanks to a disability-specific indicator and disaggregated data for other indicators when relevant.

ii. Climate Change

16. **Climate action is an integral element of IDA20 and will be critical for the creation of a greener future for people living in IDA countries and for the world as a whole.**²⁴ The Climate Change Special Theme draws on the significant work that has been undertaken through the WBG 2016-2020 Climate Change Action Plan (CCAP), and will leverage the 2021-2025 CCAP which increases IDA's climate co-benefits share of total commitments to 35 percent on average over FY23-25 with at least 50 percent for adaptation and aligns WBG operations with the Paris Agreement.

17. **IDA20 will support countries to build back better from the crisis, capitalizing on the strong momentum of IDA19.** IDA20 will help IDA countries respond to the current COVID-19 crisis, prepare them to respond to future crisis, while making them more resilient to climate change impacts and other shocks including by reducing their carbon emissions and focusing on long-term climate change objectives. IDA20 will provide much needed assistance to IDA countries

Proposed Policy Commitments

- *Increasing climate co-benefits*
 - *Aligning all IDA operations with the Paris Agreement*
 - *Transitioning key systems for adaptation and mitigation*
 - *Boosting support to renewable energy*
 - *Scaling-up green financing*
 - *Enhancing biodiversity and ecosystem services Strengthening management of fresh water, coastal and marine ecosystems*
 - *Increasing crisis preparedness and response*
-

²⁴ The details of IDA's proposed approach under the Climate Change Special Theme are provided in World Bank, *IDA20 Special Theme: Climate Change* (Washington, D.C.: World Bank Group, June 2021).

by integrating climate action into development planning, and by addressing emerging issues such as nature-related risks which are exacerbated by the effects of climate change. The IDA20 replenishment will also support national level planning in designing and adopting policies that encourage investment in climate resilience and mitigation for systemic transitions in key sectors. To support a green recovery, IDA will invest in solutions that sustain natural capital and reduce Green House Gas emissions to ensure that today's decisions are resilient and do not undermine tomorrow's growth.

iii. Gender and Development

18. **The IDA20 Gender and Development Special Theme will support green, resilient and inclusive recovery from the crisis by reducing gender gaps and creating opportunities for reforms with long-term impact.**²⁵

The pandemic is exacerbating underlying gaps between males and females, including in health, education, paid employment as well as GBV, in many IDA countries. IDA20 will put further emphasis on addressing these broader systemic issues, from enabling women's return to economic activity at higher productivity levels to increasing GBV prevention and response measures.

19. **Building on the support over successive IDA replenishments, IDA20 will increase ambition to reduce gender gaps.**

IDA20 will step up efforts to increase women's empowerment through maternal, adolescent, and reproductive health services; create more and better jobs for women, especially in male-dominated sectors; remove barriers to women's ownership and control over assets; make fiscal policy and budget systems more gender responsive; and enable women's voice and agency, especially by enhancing prevention and response to gender-based violence. IDA20 will leverage women's access to and use of digital technology and financial services, strengthen the provision of quality and affordability of childcare for job creation and elevate ambition on addressing gaps in women's productive economic inclusion through social protection, agriculture, and urban sector operations. IDA20 will further strengthen linkages across Special Themes to close gaps between men and women through interventions that build and protect human capital, promote jobs and economic transformation, and tackle the disproportionate impact of FCV challenges on gender-based violence and displacement. Key interventions under other Special Themes include supporting access to core, quality, inclusive social services focused on social protection for urban informal workers; accelerating digitalization in access to finance and markets and stronger private sector investments inclusive of female-led SMEs.

Proposed Policy Commitments

- *Scaling up productive economic inclusion*
 - *Expanding childcare*
 - *Supporting medium and high skilled employment opportunities for women*
 - *Closing gaps in digital technology*
 - *Strengthening women's land rights*
 - *Increasing support to prevention of and response to GBV*
 - *Implementing fiscal policy and budget systems to close gender gaps*
-

²⁵ The details of IDA's proposed approach under the Gender and Development Special Theme are provided in World Bank, *IDA20 Special Theme: Gender and Development* (Washington, D.C.: World Bank Group, June 2021).

iv. Fragility Conflict and Violence

20. **IDA20 will step up support to IDA countries to address FCV drivers and strengthen sources of resilience, while addressing COVID-19 crisis recovery priorities and the pandemic’s disproportionate impact on the most vulnerable.**²⁶ IDA20 will prioritize scaling-up programming in regional FCV ‘hot spots’, including the Sahel and Great Lakes regions, and ensure that recovery efforts are tailored to the specific FCV context of each country. IDA20 will also strengthen preparedness of IDA countries and IDA FCS to a variety of shocks, including disasters and climate-related extreme events, pandemics and health emergencies, and food crises. IDA20 FCV priorities will be operationalized through policy commitments and FCS sub-targets in all other Special Themes and through Cross-Cutting Issues, IDA20 will enhance initiatives in IDA FCS to create more and better jobs and economic opportunities with the private sector, tackle climate change and food insecurity, enhancing digital connectivity, and addressing inequalities and gender gaps.

21. **The WBG Strategy for Fragility, Conflict and Violence²⁷ provides a strong foundation to simultaneously address the full spectrum of FCV challenges and COVID-19 crisis recovery priorities.** The FCV Strategy will continue to guide the support to IDA FCS, and the boost in financing through the FCV Envelope will continue to augment support in eligible IDA FCS to strengthen prevention and resilience, enhance core state institutions and support countries’ transition and turn-around efforts. The COVID-19 pandemic continues to have drastic consequences on forcibly displaced people, and IDA20 will provide targeted support through the Window for Host Communities and Refugees (WHR) to foster medium- to long-term development opportunities for both the refugees and their host communities. Similarly, the Private Sector Window (PSW) remains an important part of the financial toolkit to enable support from the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) in de-risking and supporting private sector investments in IDA FCS. The Crisis Response Window (CRW) will continue to support countries to address various challenges that are exacerbated in the FCV context.

Proposed Policy Commitments

- *Operationalizing the FCV Strategy through better tailored country engagement*
 - *Leveraging outcomes for both refugee and host communities*
 - *Strengthening core governance institutions*
 - *Addressing transboundary drivers of FCV and recovering from crisis*
-

²⁶ The details of IDA’s proposed approach under the FCV Special Theme are provided in World Bank, *IDA20 Special Theme: Fragility, Conflict, and Violence* (Washington, D.C.: World Bank Group, June 2021).

²⁷ World Bank, *World Bank Group Strategy for Fragility, Conflict, and Violence 2020–2025* (Washington, D.C.: World Bank Group, 2020).

v. Jobs and Economic Transformation

22. **The JET agenda represents a crucial element of IDA countries' recovery.**²⁸ The drastic economic impacts of COVID-19 are underscoring the importance of the JET agenda and the need for IDA to increase support to minimize the immediate impacts and address key constraints that can unlock opportunities for private sector-led investments, hiring and growth (see Box 3.1).²⁹ Strengthening the enabling foundations for private investment and expanding the channels for productivity will help to ensure that productive sectors are open and competitive to attract private investment and spur the dynamics that can deliver better jobs at scale, including for youth. Tailoring the approach to economic transformation to country-specific challenges—such as informality, sector diversification, greater integration into larger markets, creating economic opportunities for women, and using technology to upgrade firm performance—will be a critical element of these efforts.

23. **The proposed policy actions under JET address some of the new risks introduced by COVID-19 and sharpen the focus on new opportunities, while supporting long-term priorities.** IDA20 will respond to the critical need to address the impacts of the COVID-19 crisis, while supporting a sustainable and inclusive recovery, recognizing the tightening fiscal space. Major risks arising from COVID-19, which threaten JET's foundational pillars, include macroeconomic instability, stress on the financial sector, and missed reforms and public investments. The short run agenda will therefore remain focused on minimizing the costs of the crisis and addressing these new risks. IDA20 will support new opportunities surfaced by the crisis, such as accelerating the vibrancy of the digital economy, and focus on medium and longer run reforms and programs that can stimulate green, resilient and inclusive private sector investments, jobs and growth. This will continue to involve supporting IDA countries' investments in quality productive infrastructure and inclusive urban development and will be done in close collaboration with IFC and MIGA, leveraging their experience in deploying MSME and renewable energy financing.

Proposed Policy Commitments

- *Supporting resilient financial systems for recovery*
 - *Leveraging One WBG to increase private investments*
 - *Delivering quality infrastructure investments in fragile countries*
 - *Creating better jobs and sustainable, inclusive economic transformation in high potential sectors*
 - *Boosting agriculture productivity, value chains and food security*
 - *Expanding broadband access and usage for jobs of the future*
 - *Positioning more firms for recovery, including through the adoption of digital technology*
 - *Boosting institutional capacity to improve data for policy decision-making*
-

²⁸ The details of IDA's proposed approach under the JET Special Theme are provided in World Bank, *IDA20 Special Theme: Jobs and Economic Transformation* (Washington, D.C.: World Bank Group, June 2021).

²⁹ For more details on the Private Sector Window, please see World Bank, *IDA20 Ask Paper: Demand, Architecture, and Scenarios* (Washington, D.C.: World Bank Group, June 2021).

Box 3.2. The WBG's Collaboration to Mobilize Private Sector Financing

Supporting the private sector is one of the avenues for rapid recovery. The PSW is one of the key instruments available to support IFC and MIGA's high impact investments in challenging IDA and FCV markets that would not otherwise be commercially viable, and to increase WBG collaboration targeted at mobilizing the private sector. Importantly, it remains a critical tool for IFC to meet its Capital Increase commitments and attain key IFC 3.0 goals and for MIGA to meet its strategic priorities. PSW is also highly complementary to IDA's guarantees and IDA projects enabling private capital mobilization.

With support from the PSW, IFC and MIGA will continue to pioneer energy efficiency and renewable energy projects, as they have done in Nepal, Djibouti, the Democratic Republic of Congo, and Malawi, enabling the provision of clean energy to rural and underserved communities. PSW-supported projects will continue to create jobs, with a focus on women, leveraging investment experience in supporting agribusiness suppliers in Mali, Sierra Leone, and Ethiopia, and the ecotourism sector in eastern Rwanda. PSW has a key role to play in helping businesses keep their doors open during economic slowdowns. Through IFC's COVID-19 Working Capital Solution Program, the PSW has helped to make financing available to small and medium-sized enterprises in critical need of short-term liquidity during the pandemic, including in Bangladesh, Côte d'Ivoire, Nigeria, and Rwanda.

In IDA20, the PSW will continue to promote access to finance for MSMEs, with consequent job creation and preservation. IFC announced plans to commit \$1 billion to a new MSME initiative in Africa and further \$1 billion to an African trade flow initiative including a component for SMEs. These combined initiatives will require support from the PSW. In addition, innovations will be introduced by increasingly moving beyond direct financing to MSMEs to seeking investment opportunities in incubators and accelerators. To achieve this, IDA20 will draw on experiences with PSW-supported de-risking MSME platforms and—building on lessons learned from the IFC SME Venture funds and Startup Catalyst funds—will help mitigate the challenges faced by IDA countries' MSMEs in finding seed capital.

C. Cross-Cutting Issues

24. IDA remains strongly committed to strengthening the foundational building blocks for sustainable development. IDA20 identifies four priority Cross-Cutting Issues as foundational areas of focus—*Crisis Preparedness, Debt, Governance and Institutions, and Technology*—and adopts targeted policy actions and commitments to deepen IDA's impact across operations.³⁰ The Cross-Cutting Issues are interlinked, mutually reinforcing, and instrumental to progress towards more inclusion, greater resilience to future shocks, higher levels of economic diversity and productivity, and better prospects for future generations.

i. Crisis Preparedness

25. IDA20 will introduce Crisis Preparedness as a new Cross-Cutting Issue, underpinned by ambitious policy commitments. Over the decades preceding the ongoing outbreak, IDA countries experienced many crises such as those related to food insecurity, climate change, disease outbreaks (including zoonotic diseases), conflict, and natural disasters, often with devastating consequences and without adequate support systems in place. Small States are particularly

³⁰ For more details, please see World Bank, *Cross-Cutting Issues in IDA20* (Washington, D.C.: World Bank Group, June 2021).

vulnerable to exogenous shocks. Through six ambitious policy commitments across Special Themes, IDA20 will enhance support to countries to strengthen resilience and invest in preparedness, which offer significant return on investment but often a challenge in resource-strapped settings. Crisis preparedness requires both long-term transformational investments that lay the foundation for resilient development (e.g. strengthening health systems, food systems) and critical, “shock agnostic” preparedness investments that can help countries’ readiness to face shocks, such as pre-arranged financing solutions and shock-responsive safety nets. As a one-time measure during a time of exceptional challenges, IDA20’s new Crisis Preparedness Cross Cutting Issue will operationalize one policy commitment to support all IDA countries to assess and strengthen their crisis preparedness. IDA20 will draw on the experience established during previous replenishments in supporting country preparations for the potential onset of a range of different crises. IDA20 will further increase ambition, building on experiences from implementing the Crisis Response Window, which has helped address Ebola, COVID-19, climate-exacerbated weather events and other crises in the past.

Proposed Foundational Policy Commitment

- *Strengthening crisis preparedness in all IDA countries*
-

26. **IDA20 will take a “whole-of-government” approach to strengthen national systems that can be adapted quickly to different types of crises.** IDA20 will prioritize the identification and assessment of gaps in preparedness, improved data collection and monitoring, enhanced risk management, and strengthened and expanded adaptive social protection systems to build the resilience of poor and vulnerable households to shocks. IDA20 will work to enable pre-arranged financing solutions that help galvanize investments and provide quick disbursements for timely and effective crisis response. And IDA20 will support countries to build up tailored sector capabilities, such as by strengthening health and education systems and pandemic preparedness through multisector investments encompassing a “One Health” approach. Lastly, IDA20 will support resilient financial systems in IDA countries with a focus on building country capacity for supervisory analysis and actions, private debt workouts, orderly bank resolution, and greening of financial systems.

ii. Governance and Institutions

27. **IDA20 will focus on bolstering public institutions to enable more effective responses to crises, and to facilitate the transformation to more inclusive and resilient post-pandemic economies and societies.** The strengthening and reorientation of domestic resource mobilization systems is a priority for countries that wish to build more inclusive and resilient economies. Lockdowns have been a catalyst for digital government services, or “GovTech,” solutions, particularly for business continuity, enhanced service delivery, and improved institutional performance. It presents a significant opportunity to improve the quality and scope of services such

Proposed Foundational Policy Commitments

- *Increasing debt transparency*
 - *Improving domestic resource mobilization*
 - *Enabling digital government services*
 - *Combatting illicit financial flows*
-

as administration of vaccination programs, delivery of social safety net payments, unemployment benefits, childcare subsidies, and business services. The issue of illicit financial flows is significant in IDA countries, with consequences for countries' ability to generate resilient economic recovery. Even before the outbreak of COVID-19, IDA countries faced a persistent challenge with public sector accountability and transparency, reducing the impact and efficiency of public spending. The scope for tax evasion and cross-border corruption increased when governments relaxed already weak administrative controls to expedite pandemic responses. The COVID-19 crisis highlighted the importance of improvements to governance, where such weaknesses slow down the ability to respond efficiently to urgent needs.

28. Governance and Institutions will be introduced as a new Cross-Cutting Issue in IDA20 to support effective, inclusive, and accountable public action across IDA operations. Making Governance and Institutions a Cross-Cutting Issue instead of a Special Theme reflects the foundational and cross-cutting nature of the issue and allows for stronger interlinkages with the other Cross-Cutting Issues and across Special Themes. To facilitate this transition and on an exceptional basis for IDA20, policy commitments supporting Governance and Institutions will be operationalized both through Special Themes and directly through the Cross-Cutting Issue. The proposed policy commitments build on emerging lessons from the pandemic, and on the strong progress during IDA19 and will serve to reinforce domestic resource mobilization, accelerate digital development to enhance service delivery, combat illicit financial flows, and enhance debt transparency and fiscal risks management.

iii. Debt

29. Debt will continue to be an IDA20 Cross-Cutting Issue given the critical important for IDA countries to address public debt vulnerabilities that are being exacerbated by the COVID-19 pandemic. IDA20 will provide recurring and programmatic assistance to all IDA countries, including through the Sustainable Development Financing Policy (SDFP), to strengthen comprehensive public debt reporting, improving the management of key fiscal risks as well as implementing global debt initiatives. Under the SDFP, moderate, high-risk, and in debt distress countries will continue to define annual Policy and Performance Actions to address debt sustainability and transparency issues. Continued systematic implementation of the SDFP is of foundational importance to a successful IDA20 and will be instrumental in mainstreaming public debt issues into country operations, complemented by scaled up analytical and technical assistance. Joint World Bank-International Monetary Fund (World Bank-IMF) Multipronged Approach will continue to strengthen public debt transparency and capacity development through scaled-up technical assistance and public debt analysis. The World Bank will also strengthen its debt management assistance through the third phase of the Debt Management Facility. Furthermore, the policy commitment on debt under the Governance and Institutions Cross-Cutting Issue will support more comprehensive reporting of public and publicly guaranteed debt and publication of fiscal risk statements, alongside policy actions to improve Domestic Resource Mobilization. This will allow IDA to step up the quality and comprehensiveness of targeted outcomes to support countries in addressing high debt vulnerabilities and rebuilding from the crisis.

30. Important complementary initiatives are underway to help IDA countries strengthen debt management and transparency. Efforts to enhance transparency and sustainability have

fed into supporting G20 creditors in developing and implementing global debt initiatives. Complementing Multilateral Development Banks (MDBs) and International Financial Institutions scaling up of positive net transfers of financing to tackle the COVID-19 pandemic, the G20 endorsed the Debt Service Suspension Initiative (DSSI), to further free up fiscal space by allowing temporary suspension of debt-service payments owed to official bilateral creditors. This initiative has been extended until the end of 2021 in response to the prolonged impact of the COVID-19 crisis. During 2020, the DSSI provided 43 IDA countries with much needed liquidity and fiscal space, equivalent to \$5.7 billion in debt service suspension. IDA contributes to this agenda by providing significant positive net flows/ to IDA countries through grants and concessional credits. Beyond DSSI, the G20 also endorsed the G20 Common Framework countries, aiming at providing coordinated debt treatments, including net present value reductions if needed, to countries that are either in unsustainable debt situations or face excessive debt service burdens over the medium term. The Common Framework requires to beneficiary countries to seek treatments on comparable terms from private creditors.

iv. Technology

31. In IDA20, digital solutions will be part and parcel of the IDA’s response to the crisis and will be an integral part of jumpstarting the post-pandemic recovery. With 3.7 billion people still unconnected to the internet, the digital divide between countries remains a key concern. The COVID-19 pandemic further underscores the importance of closing this divide and addressing unequal opportunities to access technology. While digital connectivity is paramount to expand and mainstream digitally enabled solutions in healthcare, education, social protection, payments, and government services, the limited internet access in IDA countries has not allowed these countries to fully enjoy these connectivity benefits. The limited internet use and connectivity affects IDA countries’ productivity and job creation, which in turn worsens the digital divide between countries and regions.

32. To Build Back Better from the crisis, it is imperative for IDA20 to spur digital transformation. Technology will serve as a connective tissue for the IDA20 Special Themes and will be operationalized through five policy commitments. The approach to digital transformation will focus both on strengthening the foundations of the digital economy such as digital infrastructure, digital skills, digital financial services, digital businesses, as well as on sectoral applications, while also ensuring the protection of personal data, mitigating cybersecurity risks and aiming for a truly inclusive digital economy for all. This includes, inter alia, the Identity for Development Initiative, which brings global knowledge, cross-sectoral expertise and financing, to help countries realize the transformational potential of identification to enable people to access services and exercise their rights.

IV. IDA20 ACHIEVING IMPACT

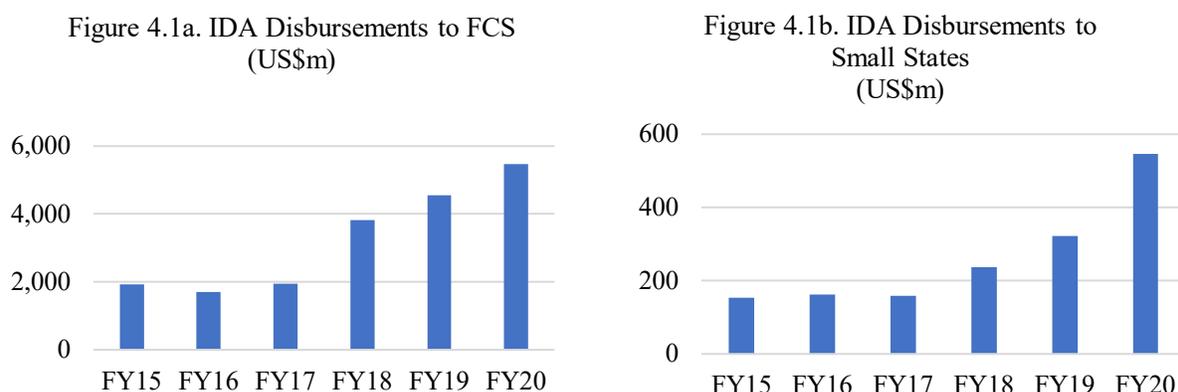
33. Through IDA, donor countries amplify the impact of their development resources, knowledge and capabilities by working together to support the priorities of the poorest and most vulnerable countries. IDA pools and leverages funds to reach more people and achieve greater and measurable development impact. IDA is continually adapting to changing global

needs, mobilizing more resources and creating better solutions for the most acute development problems. Underpinned by strong country presence, IDA’s comparative advantages include targeting support to those who need it the most, tailoring financing instruments to country needs underpinned by advisory services and analytics, partnering with civil society, multilateral organizations, humanitarian actors, and mobilizing the private sector to invest in the most challenging environments.

A. IDA’s Strengths and Innovations

34. **IDA is uniquely positioned to target the poorest and most vulnerable countries and support them to achieve their long-term development goals.** IDA’s financial architecture provides a robust and efficient framework for allocating resources through its Performance-based Allocation (PBA) system that provides unearmarked support to countries. The FCV Envelope introduced in IDA19 provides top-up allocations to eligible IDA FCS to incentivize conflict prevention and turnaround reform efforts. Country allocations are further enhanced through access to IDA’s financing windows dedicated to addressing specific priority areas, including crisis response, forced displacement, regional integration and crowding in of private financing. Over past replenishments, IDA financing volumes and impact have increased significantly, with a proportionally higher share targeting the countries with the highest needs, including IDA FCS and Small States (See Figure 4.1a and 4.1b below).³¹ IDA20 will further strengthen IDA’s financing architecture, including the PBA system, FCV Envelope, and enhancements to IDA windows, to reach the poorest and most vulnerable countries.³²

Figure 4. 1. IDA Disbursements to FCS and Small States



³¹ Disbursements refer to gross disbursements obtained from the WBG Finances website. Disbursements exclude the Private Sector Window and, in FY17, \$50 million to Pandemic Emergency Financing Facility. FCS refer to those countries on the World Bank Group Harmonized Lists of Fragile Situations in the corresponding fiscal years, with the exception of FY20, for which the FY19 list is used. RMR refers to the four IDA countries (Guinea, Nepal, Niger, and Tajikistan) under the exceptional Risk Mitigation Regime in IDA18. Small States refer to IDA-eligible countries with population of 1.5 million or less (21 IDA-eligible countries as of FY20).

³² World Bank, *IDA20 Ask Paper: Demand, Architecture, and Scenarios* (Washington, D.C.: World Bank Group, June 2021).

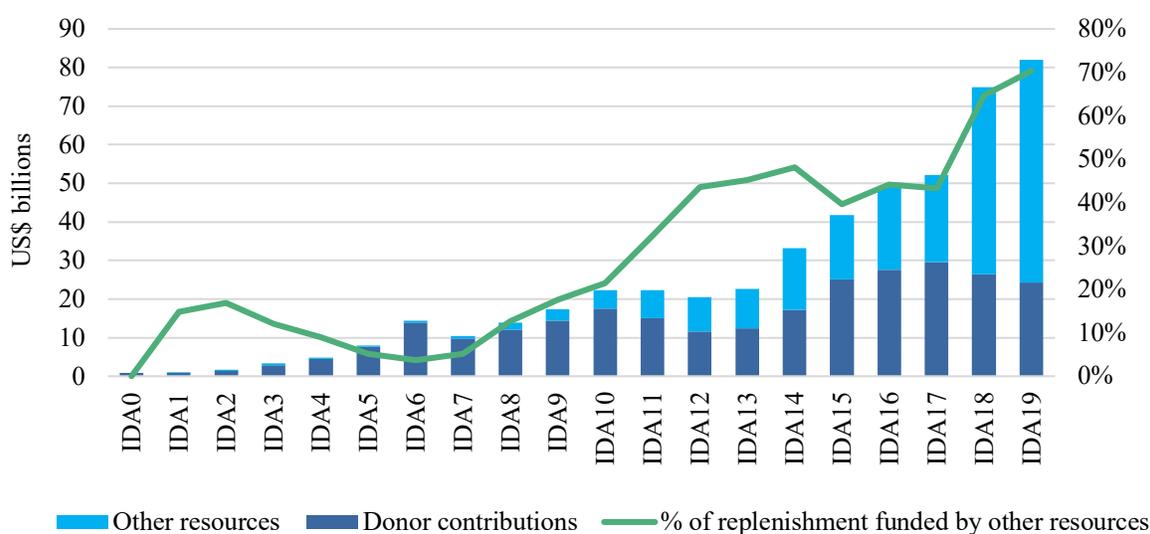
36. **IDA's country-driven model is a critical feature to deliver results that address the most important development priorities in IDA countries and have lasting impact.** Priorities for IDA financing at the country level are guided by the WBG country-driven model, whereby assistance is tailored to each borrowing country's needs, performance, and development plans, and is structured to help governments sustainably manage their finances. The model, centered on the Country Partnership Framework, puts strong emphasis on country ownership, alignment with country priorities, and sustainable development results. As an example, IDA's climate support is structured around supporting each country's NDCs. Country engagement is underpinned by a package of country-specific analytics, such as the Country Climate and Development Report, which examines the interplay between development, climate change, and climate policies. IDA's strong track record in working directly with clients, and its predictable yet flexible support helps ensure that IDA resources are focused in areas where countries need it most.

37. **The country driven model is underpinned by IDA's significant and increasing global footprint, which enables a deep understanding of client needs and capacity and represents a strong comparative advantage for IDA.** Over the last five years, the number of staff in IDA countries increased 21 percent from 2,057 in FY15 to 2,495 as of end-April 2021, while staffing in IDA FCS increased 85 percent from 532 to 983 in the same period, a clear demonstration of IDA's priority to serve the most vulnerable. This in-country presence allows not only for continued country engagement and dialogue, but also close on-the-ground implementation support, especially in times of crisis, when constraints may limit the ability of governments and development institutions to conduct business. Beyond its in-country presence, IDA continuously takes measures to enhance implementation support to IDA countries by building client capacity, streamlining processes, strengthening operational policies and systems, and drawing on lessons learned that will improve implementation during IDA20.

38. **Through its menu of financing instruments and advisory services and analytics, IDA provides flexible and immediate assistance in crisis situations and tailored support to address client countries' longer-term priorities and achieve impact.** IDA's analytic and policy support, together with its emphasis on strengthening governance, institutions and capacity, help build the foundations for long-term sustainable solutions. Investment Policy Financing provides funding for core investment projects with outcome ratings, performance, and quality continuing to meet or exceed standards. Building on these services, Development Policy Financing (DPF) provides fast-disbursing budget support underpinning policy and institutional reforms; these are critical for crisis response and longer-term recovery and played a significant role in IDA's initial pandemic support. As a complement, Program-for-Results operations target financial support for the achievement of tangible, measurable results that are reflective of a country's progress in a particular aspect of development, such as education or health provision. Additional operational tools include Disaster Risk Management Products, such as DPFs with a Catastrophe Drawdown Option to provide immediate liquidity in the aftermath of a natural or health-related emergency, Guarantees and the Immediate Response Mechanism. While crises require IDA to respond rapidly, preliminary findings by the Independent Evaluation Group (IEG) show that during the COVID-19 crisis, project quality has not been compromised. Complementing work at the country level, IDA draws on its own global knowledge to inform regional and global development agendas in line with the twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner.

39. **IDA’s unique hybrid financial model offers high leverage on donor contributions to enhance impact.** The adoption of the innovative hybrid financial model in IDA18, whereby donor contributions are complemented by capital market borrowings at low-interest rates (through IDA bonds’ triple-A rating), allowed IDA to significantly expand its financial capacity and better support client needs. In IDA18, every dollar of donor contribution allowed to mobilize three dollars in IDA commitment authority, up from a ratio of 1-to-2 in IDA17.³³ In addition, the introduction of the PSW has allowed IDA funds to leverage WBG own investments by approximately sixfold in private investment finance in some of the world’s most challenging markets. As outlined in Figure 4.2, more than 70 percent of the IDA19 replenishment was funded from resources other than donor contributions, up from 65 percent in IDA18 and between 40 and 50 percent in the six previous replenishments.

Figure 4. 2. Sources of Financing for IDA Replenishments Over Time



40. **IDA maximizes the development impact of its own interventions by combining the strengths of other development actors.** This has been demonstrated again in the wake of the COVID-19 crisis, through the ongoing, coordinated response with COVAX, WHO, UNICEF, and bilateral donors in supporting IDA countries to achieve equitable access to vaccines. Building on its comparative advantage as a country-owned, country-based, global institution, IDA’s firm commitment to leverage strategic and operational partnerships will remain critical in IDA20, to establish scalable crisis preparedness solutions, continue to mobilize knowledge and financing, and support countries to make progress towards the Twin Goals and the SDGs (See Box 4.1).

³³ World Bank, *IDA20 Financing Framework* (Washington, D.C.: World Bank Group, June 2021).

Box 4. 1. The Role of Partnerships in Delivering Lasting Results and Impact

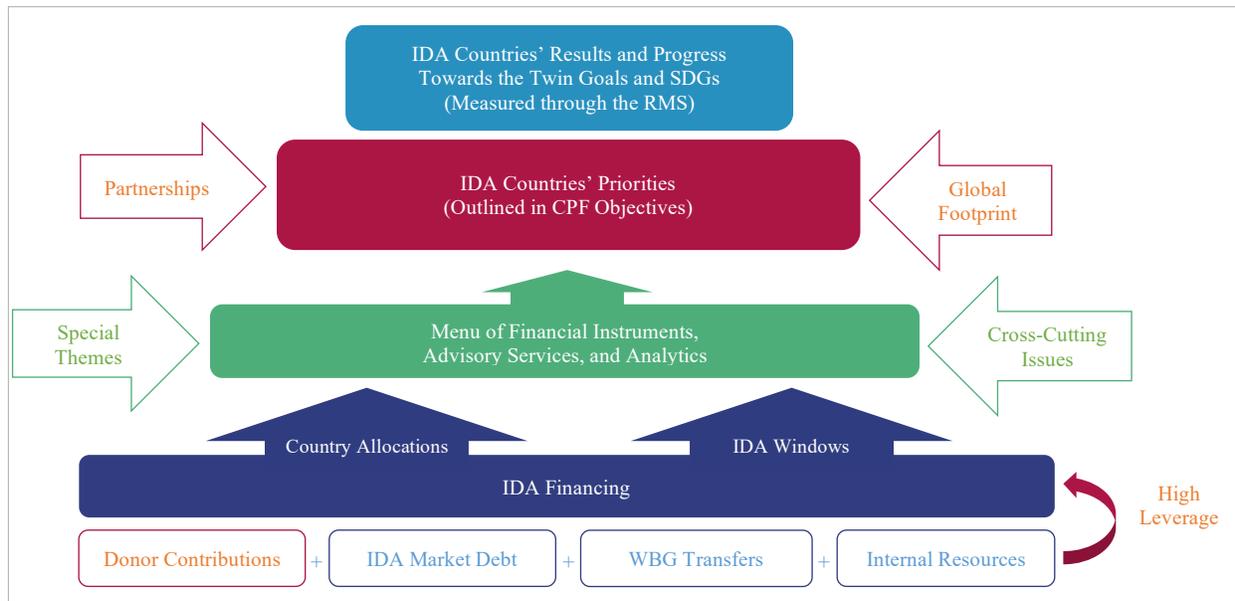
At the global and country level, IDA engages with other MDBs, the IMF, bilateral partners, the UN, Civil Society Organizations, and the private sector to respond to client needs in a coordinated and effective manner. Partnerships will continue and expand in IDA20 based on a clear understanding of comparative advantage and mutual support:

- **IDA works closely with other MDBs to ensure alignment on policy frameworks and country programs.** Resource allocation systems have been a long-standing area of coordination, having extended to common approaches to defining country access, graduation criteria, and use of exceptional allocations for regional initiatives, FCS, and crisis responsiveness. More recently, coordination on debt sustainability has become more prominent, notably through the Program for Creditor Outreach under the SDFP. At the program implementation level, coordination involves alignment of MDB country strategies with national and sectoral development approaches, building on country platforms.
- **IDA has traditionally had a strong partnership and clear division of labor with the IMF,** especially in conjunction with Development Policy Financing, Debt Sustainability Analyses and debt limits, as well as coordinated reengagement with countries in arrears. The World Bank-IMF partnership will remain particularly important in IDA20 in light of the growing focus on debt sustainability.
- **Bilateral development partners are a critical element of IDA's support at the country level.** For instance, the clearance of Somalia's arrears and normalization of its financial relationship with the WBG was made possible by a \$366 million bridge loan from the Norwegian government, paving the way for debt relief under the Heavily Indebted Poor Country and Multilateral Debt Relief Initiatives to promote growth and recovery. This effort is part of a comprehensive plan for arrears clearance and debt relief that also includes the IMF and the African Development Bank.
- **IDA's collaboration with UN agencies has increased significantly over the years as IDA moved into the humanitarian-development nexus.** The World Bank currently has a structured partnership with the UN in more than 40 crisis-affected situations, deploying complementary technical expertise on the ground. The partnership with the UN is also underpinned by collaboration on analytics, such as joint Risks and Resilience Assessments or Recovery and Peacebuilding Assessments. The World Bank-UN partnership will continue to deepen during IDA20, especially in FCV contexts. Engagement with other partners, such as the International Committee of the Red Cross, will also remain central to IDA's successful involvement in crisis-affected situations.
- **Citizen engagement is essential to achieving development outcomes; all IDA investment operations are required to be informed by consultations with civil society.** After the publication of the Strategic Framework for Mainstreaming Citizen Engagement in 2014, citizens' voices and agency have started to be increasingly and more systemically integrated in WBG policies, projects, and advisory services to improve development results and build sustainable national systems for citizen and civil society engagement.
- **IDA has developed valuable experience in working with the private sector to leverage private finance.** Bringing in both IFC and MIGA and working as one WBG has significantly increased the role of the private sector in IDA countries. This collaboration will continue during IDA20, reinforced by the Private Sector Window, which exemplifies IDA's role as a catalyst of private financing in the world's toughest markets.

B. Delivering Results and Measuring Impact

41. **An enhanced focus on high level development outcomes at the country level will help strengthen the country-driven model under IDA20.** Based on lessons from country pilots, and in line with recommendations from the Board Committee on Development Effectiveness, the IEG evaluation on Outcome Orientation at the Country Level,³⁴ and the WBG Strategic Framework for Knowledge,³⁵ the country-driven engagement will articulate more explicitly a line of sight from country programs to high-level development outcomes. IDA will begin to adjust its model as part of a broader WBG roll out of new country engagement guidance, adjusted templates, training, and hands-on support in FY22.

Figure 4. 3. IDA’s Unique Architecture



42. **The IDA20 RMS will renew the focus on development outcomes while maintaining its relevance as an integral accountability and management tool to improve IDA’s focus on results and impact.**³⁶ The IDA20 RMS will incorporate key priorities under the IDA20 Special Themes and Cross-Cutting Issues and will be further aligned with the SDGs. Key measures tracking emerging global issues such as food insecurity, COVID-19, and human capital will also be included. The proposed RMS for the IDA20 cycle also reflects the steady progress achieved over time towards gradually shifting from reporting primarily on output indicators to introducing more outcome-oriented indicators in key development areas like education, transport and climate change, fully disaggregating data for IDA FCS and having an increased focus on gender. Quantitative data reported in IDA20 RMS will also be complemented by qualitative results

³⁴ Independent Evaluation Group, *The World Bank Group Outcome Orientation at the Country Level* (Washington, D.C.: World Bank Group, 2020).

³⁵ World Bank, *Realizing the World Bank Group’s Knowledge Potential for Effective Development Solutions: A Strategic Framework* (Washington, D.C.: World Bank Group, 2021).

³⁶ For more details, please see World Bank, *The IDA20 Results Measurement System* (Washington, D.C.: World Bank Group, June 2021).

narratives to capture a more holistic picture of results achieved by IDA operations, including institutional strengthening and capacity building, to capture the pathways towards long-term development outcomes.

V. PROPOSED IDA20 FINANCING PACKAGE

43. **An ambitious IDA20 policy framework that meets the heightened needs of IDA countries will require a robust financing framework.** IDA20 comes at a unique time, with elevated clients' needs and at a time of high uncertainty. The context in which the IDA20 discussions are occurring differ significantly from that of replenishments in the past. With fiscal pressures intensified across all countries – IDA borrowers and donors alike – the need to maximize the reach of every development dollar, through more focused use of grant resources and further efforts for IDA balance sheet optimization, has become even more essential.

44. **Throughout its history, IDA has sought ever-new ways to prudently maximize development assistance to IDA countries with continued stretching of donor and internal resources.** The most significant of these is IDA's shift to a hybrid financial model, and the introduction of market leveraging in IDA18, which came with agreed leveraging principles and further refinements to IDA's financial risk management framework to support the triple-A credit rating. IDA remains well-positioned for now with a still strong financial position as indicated by its capital adequacy in the near term. However, this financial position faces more downside risks than initially anticipated, and IDA's main measure of capital adequacy is shown as being used up faster than originally planned during discussions in IDA19.³⁷ Recognizing the constraints on the levels of donor contributions possible during fiscally challenging times, and on capacity to leverage IDA's internal resources and current balance sheet, options for other ways to further optimize IDA's balance sheet were presented in April 2021. These options include the introduction of shorter-maturity loans and adjustments to the grant allocation framework for yellow-light IDA-only countries to replace their current 50 percent grants and 50 percent regular credits with 50-year zero-interest credits.³⁸

45. **IDA20 seeks a replenishment Base Case of \$90 billion to support IDA countries response to the COVID-19 crisis and get back on track towards a green, resilient and inclusive future.** IDA20 seeks a replenishment Base Case of \$90 billion. This Base Case blends internal resources, partner contributions, leveraging through market debt, and two balance sheet optimization options discussed in April 2021.³⁹ This ask is in line with medium-term IDA planning considerations, and bears in mind the leveraging principles agreed among Participants in IDA18 and IDA19, and feedback from discussions over the last year. Such feedback includes a call from the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund (the Development Committee) to propose ways to optimize IDA's balance sheet to make the most of donor contributions and IDA resources, while preserving its triple-A rating. The IDA20 Ask

³⁷ World Bank, *IDA20 Financing Framework* (Washington, D.C.: World Bank Group, June 2021).

³⁸ World Bank, *IDA20 Ask Paper: Demand, Architecture, and Scenarios* (Washington, D.C.: World Bank Group, June 2021).

³⁹ Ibid.

Paper⁴⁰ and accompanying Financing Framework Paper⁴¹ provide the implications in detail for the Base Case, as well as options for a Low and a High Case, presented for IDA20.

VI. CONCLUSION

46. **IDA countries are in dire need of exceptional support during this critical time to build back better.** After suffering setbacks from COVID-19, IDA countries will need to address immediate issues related to emergency needs and crisis recovery, while maintaining a line of sight to recovery and long-term goals. Without a rapid response, the backsliding that IDA countries are currently experiencing will continue. Strong support from the international community is needed, particularly concessional and grant financing, to meet these exceptional needs. The IDA20 policy package, together with its unique financing model and architecture, place IDA in a strong position to make an impactful contribution to those countries and populations that need it most.

⁴⁰ World Bank, *IDA20 Ask Paper: Demand, Architecture, and Scenarios* (Washington, D.C.: World Bank Group, June 2021).

⁴¹ World Bank, *IDA20 Financing Framework* (Washington, D.C.: World Bank Group, June 2021).

Annex 1. Proposed IDA20 Policy Commitments

Human Capital		
#	Cross-Cutting	Policy Commitment
1		Boosting COVID-19 vaccination roll-out and strengthening pandemic preparedness: To contain the pandemic, support all IDA countries in the roll-out of COVID-19 vaccinations including broader health care system strengthening and pandemic preparedness.
2		Investing in nutrition, early years and women’s empowerment: To empower women and support children's formative years, restore and expand access to quality maternal and reproductive health, early years and nutrition services, in at least 30 IDA countries, of which 15 countries with the lowest HCI.
3		Supporting core social service delivery systems: To address gaps exacerbated by the COVID-19 crisis, in at least 40 IDA countries, of which 10 are FCS, support access to core, quality, inclusive social services focused on: (i) social protection for urban informal workers, or (ii) students’ return to school and accelerated recovery of learning losses, or (iii) children’s immunizations.
4	 	Expanding adaptive social protection and building resilience to shocks: To ensure inclusive and effective response against shocks and crises, support at least 20 IDA countries’ resilience by building adaptive social protection systems, including the use of digital technologies.
5		Addressing learning poverty and productivity: To fill critical learning gaps, support at least 20 IDA countries, of which 10 are the lowest HCI, to reduce learning poverty by (i) measuring learning and (ii) implementing core elements of the literacy policy package (e.g. effective literacy instruction, structured lesson plans, adequate reading materials for all children).
6		Expanding access to core services for persons with disabilities: To promote inclusive societies, support at least 18 IDA countries to meet the needs of persons with disabilities by implementing the principles of universal access through projects in education, health, social protection, water, urban, digital development and/or transport.
7		Supporting prevention of and preparedness for future pandemics: To prevent zoonotic diseases and ensure pandemic preparedness, support at least 20 IDA countries with One Health approaches which address the nexus between human, animal, and ecosystem health.
8		Leveraging adequate, efficient financing for human capital: To strengthen public finance for human capital investments, support at least 20 IDA countries, of which 10 with the lowest HCI through (i) the availability of resources and the efficiency of expenditure management and/or (ii) the efficacy of human capital investments measured through output/outcome indicators.

Climate Change		
#	Cross-Cutting	Policy Commitment
1		Increasing climate co-benefits: IDA’s climate co-benefits share of total commitments will increase to 35 percent, on average over FY23-FY25, with at least 50 percent for adaptation. For IDA PSW operations, climate co-benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations, on average.
2		Aligning all IDA operations with the Paris Agreement: Starting in FY24, all new World Bank IDA20 operations will align with the Paris Agreement. By the end of IDA20, all new IDA PSW real sector operations will be Paris aligned. At least 30 Country Climate and Development Reports will be developed. Support will be provided to at least 40 countries to update and/or implement Nationally Determined Contributions.
3		Transitioning key systems for adaptation and mitigation: Support at least 40 countries (including at least 8 FCS) to develop policies and increase investment in climate adaptation and mitigation in at least one key transition sector (energy; agriculture; food; water and land; cities; transportation; and manufacturing), including at least 8 countries supporting community action (including investments) for climate change.
4		Boosting support to renewable energy: Facilitate development of low-carbon energy sector development strategies in at least 20 countries (including at least 8 FCS) and development of battery storage in at least 15 countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least 1 GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.
5		Scaling-up green financing: Support at least 20 countries (including at least 5 FCS) to revise their financial regulatory frameworks to manage climate risks and to mobilize private capital for a low-carbon and resilient economy.
6		Enhancing biodiversity and ecosystem services: Implement nature-based solutions, including landscape and watershed restoration and management, in at least 15 countries in support of biodiversity and ecosystem services.
7		Strengthening management of fresh water, coastal and marine ecosystems: Support at least 20 countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including by addressing marine plastic pollution.
8		Increasing crisis preparedness and response: Support at least 25 countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.

Gender and Development		
#	Cross-Cutting	Policy Commitment
1		Scaling up productive economic inclusion: Incorporate specific productive economic inclusion components (e.g., producer cooperatives/associations, digital finance/savings and service delivery, entrepreneurship support, social care services, regulatory frameworks, and/or links to market support) for women in at least 30 IDA social protection/jobs, agriculture, urban, and/or community development projects.
2		Expanding childcare: Support at least 15 IDA countries to expand access to quality, affordable childcare, especially for low-income parents.
3		Supporting medium and high skilled employment opportunities for women: At least 35 percent of IDA20 infrastructure operations (transport, energy, and water) will include actions to create employment opportunities for women in medium and high skilled jobs in these sectors.
4		Closing the gap in digital technology: At least 30 IDA20 operations in digital development, financial inclusion, and agriculture will increase women's access to and usage of digital technology to close gender gaps in access and usage.
5		Strengthening women's land rights: At least 70 percent of IDA20 operations with land activities in (i) land administration, (ii) post-disaster reconstruction and resilient recovery, and (iii) urban development will include specific actions to strengthen women's land rights.
6		Increasing support to prevention of and response to Gender-based Violence (GBV): Support at least 10 IDA countries to strengthen national policy frameworks for prevention and response to GBV, and in at least 15 IDA countries, of which 5 are FCS, support GBV related services in health systems, and implement GBV prevention and response protocols as part of safe and inclusive educational institutions.
7		Implementing fiscal policy and budget systems to close gender gaps: Support at least 10 IDA countries to make their fiscal policy and budget systems more inclusive and gender responsive by, for example, budget reforms, removing discriminatory provisions from tax legislation and/or monitoring the effectiveness of public spending for equality policies.

Fragility, Conflict and Violence		
#	Cross-Cutting	Policy Commitment
1		<p>Operationalizing the FCV Strategy through better tailored country engagement: Reinforce implementation of the WBG FCV Strategy, by ensuring that all country engagement products* in IDA FCS demonstrate how the WBG program, in collaboration with relevant partners, help address FCV drivers and sources of resilience, based on FCV diagnostics and FCV sensitive portfolio analysis undertaken in Risk and Resilience Assessments (RRAs) or other FCV assessments. An FCV lens will continue to be integrated into relevant joint World Bank-IFC Country Private Sector Diagnostics in IDA FCS.</p> <p><i>*Country engagement products include Country Partnership Frameworks (CPFs), Country Engagement Notes (CENs) and Performance and Learning Reviews (PLRs).</i></p>
2		<p>Leveraging outcomes for both refugee and host communities: Work with government counterparts and other partners to ensure that, by the end of IDA 20, at least 60 percent of the countries eligible for the WHR will have implemented significant policy reforms related to the WHR purposes, as identified through the Refugee Policy Review Framework.</p>
3		<p>Strengthening core governance institutions: Support 30 percent of IDA countries in Fragile and Conflict-affected Situations (with active portfolios) to establish and/or strengthen core government functions that facilitate effective, inclusive, and responsive public services, enhance transparency and accountability, and/or promote resilience.</p>
4		<p>Addressing transboundary drivers of FCV and recovering from crisis: Implement regional initiatives in the Sahel, Lake Chad, the Horn of Africa, and Central Asia to help address transboundary drivers of FCV, support transboundary resilience, and / or strengthen regional crisis risk preparedness and mitigation together with key relevant partners. IFC will commit to leverage its local presence to scale up upstream and advisory service activities in these areas, leading to enhanced private sector opportunities.</p>

Jobs and Economic Transformation		
#	Cross-Cutting	Policy Commitment
1		<p>Supporting resilient financial systems for recovery: Strengthen the resilience, inclusion and depth of the financial system in 15 IDA countries, including 5 FCS, based on FSAP or similar financial sector analytics to support a robust and inclusive recovery.</p>
2		<p>Leveraging One WBG to increase private investments: In the context of IDA PSW operations involving IFC, IFC will aim to increase the share of its commitments in FCS-IDA17 & LIC-IDA17 countries, reaching 12-17 percent of commitments on average during the IDA20 cycle, with an intent to reach an annual commitment of 14-17 percent in the last fiscal year of</p>

Jobs and Economic Transformation		
		IDA20. Consistent with this aim, targeted platforms and programmatic approaches for IDA PSW-eligible countries will be supported to develop and encourage scalable initiatives across sectors in these countries, including those targeted to support small and medium-sized enterprises, for trade finance purposes, in support of gender, and for climate friendly investments focused on mitigation and adaptation.
3		Delivering quality infrastructure investments in fragile countries: Support at least 20 countries, of which 10 have a score of 3.0 or less on Country Policy and Institutional Assessment Dimension 16 covering transparency, accountability and corruption, to identify the governance constraints to the development, financing, and delivery of quality infrastructure investments, with particular attention to resilience, climate and environment, social considerations, and regulatory practices, transparency and integrity, to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these. These will be undertaken through Infrastructure Sector Assessments Programs and standalone governance assessments that support improved competitiveness.
4		Creating better jobs and sustainable, inclusive economic transformation in high potential sectors: Support interventions to address market failures and remove constraints in sectors with high potential for the private sector to drive sustainable and inclusive economic transformation and create better jobs, or where women and youth disproportionately work, in 20 IDA countries, of which 5 are FCS, including through upstream activities to develop private diagnostics such as Country Private Sector Diagnostics and selected in agreement with country authorities.
5		Boosting agriculture productivity, value chains and food security: Improve agricultural productivity and strengthen sustainable agri-business value chains with high potential for growth and better jobs addressing modernization and food and nutrition security in 15 IDA countries, including 5 FCS, in ways that are fully inclusive, and encourage private sector opportunities.
6		Expanding broadband access and usage for jobs of the future: To close the connectivity gap, IDA will support 17 IDA countries, including those which will benefit from IFC's support under the IDA PSW to develop digital infrastructure, to increase inclusive and affordable access to and usage of broadband connectivity, among which are 6 landlocked countries, 4 Small States and 9 FCS countries.
7		Positioning more firms for recovery, including through the adoption of digital technology: Support programs in 15 IDA countries, to strengthen private sector recovery and transformation that are well targeted, inclusive of SMEs and support the adoption of digital technologies, with monitoring to capture distributional impacts and effectiveness. To support this, IFC will increase its digital infrastructure and venture capital work in IDA and FCS countries.
8		Boosting institutional capacity to improve data for policy decision-making: Support 34 IDA countries including those with ongoing statistical operations (i) to strengthen institutions and build capacity to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate; and (ii) to increase resilience of statistical systems, including through investments in digital technology and high-frequency monitoring capabilities.

Crisis Preparedness		
#	Cross-Cutting	Policy Commitment
1		Strengthening crisis preparedness: WBG country programs in all IDA countries will provide support to strengthen crisis preparedness. Such support will be informed by various country-specific assessments and other relevant diagnostic tools.

Governance and Institutions		
#	Cross-Cutting	Policy Commitment
1	 	Increasing debt transparency: Support 50 IDA countries in publishing more comprehensive public and publicly guaranteed debt reports or fiscal risk statements.
2		Improving domestic resource mobilization: Support 15 IDA countries to bolster their domestic resource mobilization capacity through equitable revenue policies and/or innovative compliance measures towards achieving a tax-GDP ratio of at least 15 percent in the medium term.
3		Enabling digital government services: Support at least 15-20 IDA countries to adopt universally accessible GovTech policies, regulations or solutions to enable digital government services.
4		Combatting illicit financial flows: Support 5 countries to conduct comprehensive IFF assessments and prepare action plans. Also support 20 IDA countries to take IFF-related policy actions, such as increasing access to and awareness of beneficial ownership information and/or adopting automatic exchange of information to reduce tax evasion.