

# IDA19 Mid-Term Review and Third IDA20 Replenishment Meeting

Virtual Meeting – October 20-22, 2021

## Co-Chairs' Summary

### A. Introduction

1. IDA Deputies and Borrower Representatives (Participants) met virtually on October 20–22, 2021 for the Mid-Term Review (MTR) of IDA19 and to discuss the IDA20 policy commitments, results framework, and financing package. The meeting was co-chaired by **Mr. Axel van Trotsenburg**, World Bank Managing Director of Operations, and **Mr. Denny Kalyalya**, the IDA20 Independent Co-Chair. Representatives from the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, and the International Fund for Agricultural Development joined the meeting as observers. In preparation for the meeting, Management circulated 12 IDA papers to inform the discussion (see Annex 1). Participants shared detailed written comments prior to the meeting, some of which were addressed by Management in the Staff Written Statement.

2. **Mr. van Trotsenburg** thanked Participants for the strong support expressed for the IDA20 policy and financing package. He reminded Participants of the significant financing needs in IDA countries in response to the impacts of the Coronavirus Disease 2019 (COVID-19). This was strongly articulated at the “*IDA for Africa: High-Level Meeting of Heads of State*” hosted by President Ouattara in Abidjan on July 15, 2021, where 23 African Heads of States co-signed a declaration calling for an ambitious IDA20 Replenishment of at least \$100 billion. IDA Borrower Representatives had made a similar call in their joint statement issued prior to the meeting. Mr. van Trotsenburg thanked the independent Co-Chair, Mr. Kalyalya, for agreeing to help see the IDA20 Replenishment process through, even with his added new responsibilities as Bank of Zambia Governor.

3. **Mr. Kalyalya** underscored that, despite the comprehensive and accelerated support by IDA, IDA countries were still lagging in COVID-19 vaccinations and economic recovery. He noted that an ambitious and successful IDA20 replenishment would be critical to providing the grants and concessional financing that the poorest countries needed to recover and build a green, resilient, and inclusive future.

### B. IDA19 Mid-Term Review

4. **Mr. Ed Mountfield**, Vice President of Operations Policy and Country Services, summarized the robust results during the first year of IDA19, including the strong progress on the delivery of the IDA19 policy commitments, despite the shorter IDA19 cycle. He noted that IDA’s COVID-19 crisis response, which included 43 national vaccination programs, was unprecedented in scale and speed, and represented the largest share of the multilateral response to COVID-19 for IDA countries. Disbursements in the IDA portfolio had not slowed down, and the portfolio was as effective as ever, with IEG’s independent ratings of IDA’s operational outcomes rising to nearly 80 percent satisfactory. IDA was able to sustain focus on long-term development priorities, including climate, debt, fragility and gender. Notwithstanding IDA19 shorter cycle, IDA was on track to meet or exceed nearly every IDA19 policy commitment and IDA Results Management System (RMS) targets.

5. **Mr. Akihiko Nishio**, Vice President of Development Finance, highlighted the strong financial delivery in IDA19, with almost \$39 billion delivered as of end of September 2021. Of this amount, more than \$27 billion went to Sub-Saharan Africa and \$16 billion to IDA countries characterized as Fragile and Conflict-affected Situations (FCS). He observed that demand for IDA resources remained high with a strong pipeline for the rest of FY22, which exceeded the amount of resources available in the IDA19 envelope. Mr. Nishio also referred to the first year of implementing the Sustainable Development Finance Policy (SDFP) and acknowledged its role in elevating discussions on debt vulnerabilities to the core of the policy dialogue with IDA clients; and in further strengthening coordination of debt policies of other creditors through the Program of Creditor Outreach (PCO). He reaffirmed Management’s commitment to examine the causal and direct impacts of the policy in future, which is difficult at this time since the SDFP was only introduced on July 1, 2020.

6. Participants welcomed the papers produced for the IDA19 MTR, which represented critical elements of the preparation of IDA20. They noted that all the papers that Management had committed to had been delivered, and they acknowledged that—despite the compressed timeframe for IDA19—Management had undertaken a thorough review of IDA19 implementation, and the documentation reflected key lessons for the IDA20 replenishment.

**i. IDA19 Implementation and Reallocations**

7. Participants welcomed IDA’s swift action to support countries during the crisis, while keeping the focus on the longer-term priorities. With the IDA19 cycle truncated to two years and given the highly volatile and rapidly evolving situation, Participants called on Management to ensure continued close attention to sustained strong delivery of the agreed IDA19 policy commitments. Some Participants asked for clarification as to why the Crisis Response Window (CRW) had not been utilized more extensively in IDA19. Management explained that CRW utilization in IDA19 had been consistent with its design as a ‘*last resort*’ buffer for extraordinary crises, including natural disasters. Under IDA19, the generalized COVID-19 crisis led shareholders to provide an extraordinary level of frontloaded resources through the Performance-Based Allocations (PBA), of which almost half had been dedicated to the COVID-19 response.

8. Participants broadly endorsed Management’s proposals for reallocations to ensure efficient use of resources. These include:

- a. Increasing the ceiling of allocated Regional Window resources to the Africa East and West Regions up to 80 percent (from 75 percent) while also considering other regions experiencing high demand, including Europe and Central Asia.
- b. Granting Management flexibility to redirect CRW resources toward PBA if unused by February 28, 2022.
- c. Reallocating unused resources from other windows up to \$150 million per window to PBA, as needed, during the remainder of FY22.
- d. Strategically redistributing FY22 set-asides from countries that had not satisfactorily implemented their agreed FY21 Performance and Policy Actions (PPAs) under the SDFP. Instead of redistributing these resources to all active IDA countries, they would be redistributed on an exceptional basis through inter-regional PBA reallocations, according to

the existing governing rules as explained in the Staff Written Statement. This included prioritizing financing for vaccines and other COVID-19 response operations as suggested by Participants.

9. Based on the discussion and the feedback from Participants, Management would present these proposals for reallocations to the IDA Board of Executive Directors for their approval. Management committed to keeping Participants informed about reallocations carried out later in FY22. Management also noted its openness to explore the possibility of using some unallocated or unused IDA19 resources to provide assistance to Syrian refugees in Lebanon and Jordan after consultations with shareholders.

## **ii. Sustainable Development Finance Policy**

10. Participants welcomed the findings of the implementation update of the SDFP, while recognizing the challenging circumstances under which the first year of implementation took place due to the COVID-19 crisis. Participants asked IDA to further strengthen the SDFP, including by expanding the Program for Creditor Outreach (PCO). Some Participants emphasized the importance of considering countries' capacity constraints and of ensuring ownership of PPAs, and there were also suggestions to increase the use of programmatic approaches to defining PPAs, addressing the main drivers of debt distress. Some Participants encouraged the Bank to support further alignment of relevant MDBs policies and deepening the engagement with creditors. Management took note of the suggestions and mentioned that revisions to the policy could be considered after gaining more experience. Participants requested that lessons of the Independent Evaluation Group (IEG) evaluation be considered for further SDFP rollout and asked for concrete plans for scaling-up efforts under the PCO, including objectives, key deliverables, and strategic direction for the program, including on debt data sharing between creditors and borrowers to enable improved data quality. Management committed to provide an update on the SDFP to the Board in Q3 of FY22, which would include details on the strategic direction and goals for creditor outreach. In addition, Management committed to provide a comprehensive review of SDFP implementation at the IDA20 MTR.

## **iii. Operationalization of the FCV Envelope**

11. Participants appreciated the significant progress achieved in operationalizing the FCV Envelope. Specifically, they expressed support for aligning FCV Envelope eligibility and annual reviews with country engagement processes. They also stressed the importance of continued strong partnerships, including with the United Nations. Some Participants asked about the rationale for developing a phase-out approach under the FCV Envelope. Management clarified that there were no plans to phase out the FCV envelope at this time. Instead, Management is exploring options for a phased approach for countries exiting FCV status, so that affected countries would not experience an abrupt adjustment in the level of support from one year to the next as they continued their journey on the path out of fragility. Management committed to proposing guiding principles for such an approach as part of the broader IDA20 update at the MTR, which would also provide information on implementation progress of the FCV envelope.

#### **iv. Refugee Policy Review**

12. Participants appreciated the comprehensive review of refugee policy developments in countries since their initial eligibility for the Refugee Sub-Window in IDA18 and the Window for Host Communities and Refugees in IDA19. Some Participants highlighted the work on refugee policies as exemplary for good World Bank-UN collaboration. They noted significant policy progress and welcomed countries' efforts to create conditions conducive for socio-economic development for both refugees and their host communities. Some Participants considered the review a fitting baseline for assessing countries' progress going forward and asked for continued support from IDA to help promote sustainability of these efforts. Management acknowledged the suggestions.

#### **v. Crisis Response Window – Early Response Financing**

13. Participants welcomed the review of the CRW-ERF and the proposed recommendations outlined in the paper, including the approach to the ERF caps and the adjustment of the conflict criterion. They noted that the ERF had generally performed well, while also appreciating that it was too early for comprehensive adjustments given the short review period. Whilst acknowledging some Participants' concerns on slower than expected disbursements from ERF-funded operations and the possible link with the thresholds of the window, Management explained that disbursements were also impacted by country-specific circumstances, that COVID-19 was no longer a slow onset crisis by the time ERF started implementation in July 2020, and that IDA's substantial COVID-19 support had mainly been delivered through PBA resources. Management further noted that Catastrophe Deferred Drawdown Options had been a valuable instrument during COVID-19 making it possible for disbursements to be done within a week.

14. Some Participants asked about the difference in the country cap for disease outbreaks and food insecurity under the ERF. Management clarified that the difference (\$25 million per country per event for disease outbreaks compared to \$50 million per country per IDA cycle for food insecurity) recognized that a country could be hit by different types of disease outbreaks multiple times during an IDA cycle.

#### **vi. Capital Adequacy Framework**

15. Participants welcomed the Capital Adequacy Framework Review paper and took note of the paper's conclusion that the framework remained appropriate as IDA continued to strengthen its presence in capital markets. Participants welcomed the planned independent external review of the IDA capital adequacy framework and encouraged close coordination with the multilateral development bank capital adequacy framework review to be performed under the auspices of the G20. Management confirmed that both would be coordinated by the World Bank Group (WBG) Chief Risk Officer.

#### **vii. Local Currency Financing**

16. Participants discussed the paper on local currency financing solutions and expressed broad support for Option A, which involved introduction of a fully hedged local currency lending option in IDA20. They welcomed Management's commitment to complete a pilot by IDA20 MTR. Some Participants called for the introduction of a target on the number of local currency transactions for currencies that are not pegged to USD or EUR. Recognizing the expected limited volume and country

coverage in the near term due to market constraints, some Participants called for keeping a longer-term perspective on how local currency lending could be further broadened and developed. Some Participants also asked that the WBG continued the on-going work to develop IDA countries' domestic capital markets as another means of encouraging local currency financing, including by collaborating with existing programs to ensure harmonization of approaches. Management cautioned that setting specific targets at this time was premature. Instead, Management would use the pilot, together with ongoing broader capital market development efforts, to learn from the experience. Management also acknowledged a suggestion to review IDA's experience at the IDA20 MTR and consider the possibility of expanding the program.

### **viii. Structural Gap**

17. Participants acknowledged the findings of the structural gap paper, the analysis of the drivers behind the structural gap's recent increase, as well as the options for addressing issues with reporting of burden shares caused by a sizable structural gap. Among the options presented, Participants supported the double-reporting approach (Option C) under which both gross and net donor burden shares would be reported in the relevant tables of the Deputies' Report, starting in IDA20, with the possibility of fully doing away with the structural gap within a reasonable period. Management welcomed Participants' support for the paper's recommendation and acknowledged a suggestion to further analyze the root cause of structural gap and its implication on the IDA program.

## **C. IDA20 Policy Package and Results Framework**

18. In her introductory remarks, **Ms. Mari E. Pangestu**, World Bank Managing Director for Development Policy and Partnerships, explained how IDA20 would be critical in operationalizing and financing the Green, Resilient and Inclusive Development (GRID) agenda. She noted that the WBG support to GRID was already embedded in country-level products such as Country Partnership Frameworks and Country Climate and Development Reports (CCDRs), and IDA20 would further accelerate these efforts.

19. Participants welcomed the refined policy package presented in the draft IDA20 Deputies Report as a good foundation for final discussions, including the revised policy commitments, which showed greater ambition and addressed key issues raised at the second IDA20 Replenishment Meeting. They also welcomed the additional enhancements in response to their written comments. Many Participants noted that the ambitious, comprehensive and balanced policy package resonated well with the most important development priorities in a people-centered approach that benefits all. In response to calls by some Participants to further increase targets on policy commitments, Management reassured Participants that the proposed targets, including those that had been increased since June, were based on a thorough review of IDA's operational pipeline as well as careful consideration of how best to integrate and align priorities as stated in policy commitments and the country-driven priorities identified through IDA's country-driven model.

### **i. Crisis Preparedness**

20. Participants welcomed the ambitious dedicated policy commitment under the Crisis Preparedness Cross-Cutting Issue, as well as the six complementary crisis-related commitments embedded in the Special Themes. They noted the good balance between shock-specific and shock-agnostic support and welcomed the enhanced crisis toolkit. Several Participants supported

Management's proposal to provide strong incentives for countries to embed preparedness in their core operations, through a toolkit comprising analytics, financing, and monitoring. Some Participants suggested that Management should commit to identifying crisis preparedness gaps at the beginning of the IDA20 period, in order to demonstrate progress in addressing gaps by the end of IDA20. Management agreed with Participants' call to rollout the new Crisis Preparedness Gap Analysis as quickly as possible, to inform IDA's financial and technical support to countries' crisis preparedness.

21. Some Participants called for specific measures to track IDA's level of support to crisis preparedness. Management agreed that tracking was a critical element of ensuring effective support to IDA clients but noted the technical difficulties in estimating amounts of grants and credits devoted to crisis preparedness, as they are often an integral part of overall project design, such as for health systems strengthening operations. Management also noted that an operational definition and an indicator would be proposed by the IDA20 MTR. Some Participants asked for enhanced focus on pandemic preparedness, and there was a request for a report at the IDA20 MTR on how IDA's support is contributing to pandemic preparedness, including how IDA projects/country dialogue have worked cooperatively and synergistically with other financing mechanisms to bolster pandemic preparedness. Management reiterated that pandemic preparedness was a key priority in IDA20 and agreed to sharpen the focus on pandemic preparedness in the policy commitment on health system strengthening.

## **ii. Governance and Institutions**

22. Several Participants welcomed the more explicit focus on anti-corruption in the policy commitment on Illicit Financial Flows as well as the enhanced focus on secure digital government services. Participants also welcomed the proposal by Management to revise the policy commitment on Domestic Resource Mobilization, to make specific reference to fairness and progressivity. Management noted that delivering these commitments would require demanding efforts by IDA clients and that the targets represented a significant increase compared to IDA19.

## **iii. Debt**

23. Participants underscored that debt sustainability and transparency should remain a key priority in IDA20, and a number of Participants stressed the importance of debt data reconciliation, particularly for debt treatment processes. A concern was expressed about overemphasizing the importance of debt data reconciliation and instead suggesting a cautious approach. Some Participants also asked Management to reference any work currently underway or planned with the IMF to develop guidance on the appropriate use of collateral in debt financing to help borrowers analyze collateralized transactions. Management explained that IDA20 will put debt management front-and-center of IDA's support to countries, including through the ambitious commitment to support publishing comprehensive debt reports or fiscal risks statements in 50 IDA countries.

24. In addition, IDA20 would continue deepening the engagement with IDA clients under the SDFP by supporting countries to implement PPAs to strengthen debt transparency, debt management, and fiscal sustainability. Many Participants reiterated the importance of enhanced focus on the PCO, including to promote data sharing between creditors and borrowers, and several Participants reiterated the importance of developing concrete objectives and expected outcomes for the PCO and communicate these to Participants. Management explained that IDA20 would strengthen the SDFP's

PCO, and that it was also considering hosting a high-level event with IDA finance ministers and creditors to discuss debt management challenges.

#### **iv. Technology**

25. Participants underscored the importance of addressing the digital divide and welcomed the enhanced focus on cybersecurity and data protection, which addressed earlier requests.

#### **v. Human Capital**

26. Participants welcomed the enhanced focus on universal health coverage, and on early years' development and nutrition services through the proposed dedicated policy commitment. Several Participants underscored the importance of ensuring a sharp focus on inclusion in IDA20 to address the specific needs of vulnerable groups, including persons with disability and sexual and gender minorities. Participants also welcomed the recognition that people with disabilities, amongst other vulnerable groups, are disproportionately impacted by shocks. Some Participants requested stronger cross-references to supporting IDA's disability commitments in the Deputies Report and that the Bank include a broader definition to universal access. Management agreed to strengthen the focus to ensure non-discrimination and inclusion in the policy commitment on disability inclusion.

27. There were also calls for a more comprehensive approach to education, including a stronger focus on supporting girls' learning recovery, particularly at the secondary education level. Management agreed to revise the policy commitment on social service delivery to focus on addressing constraints faced by girls in returning to school and in recovering learning losses. Management confirmed that all of IDA's support to education was fully aligned with national plans and focused on strengthening the education system capacity to deliver high-quality education. IDA's broader approach to education, including support to secondary, tertiary education, and skills development, would be further elaborated in the Deputies Report.

28. Management reiterated that vaccine financing and equitable rollout were among the highest priorities in IDA20 as part of IDA's broader objective to support the strengthening of beneficiary countries' health system. Participants noted the comprehensive package to support vaccinations in IDA countries, including through policy commitments, partnerships, and increased financial incentives. Management also confirmed that IDA's vaccination support was fully consistent with the World Health Organization targets, and these were mutually owned targets among all institutions in the Multilateral Leaders Task Force. Participants were supportive of Management's proposal to use the Regional Window to incentivize vaccination rollout by providing additional resources to committed countries but requested for more information on implementation modalities. Management confirmed that Regional Window resources could be used for vaccine financing in all scenarios but pointed out that, given the high demand for the window, the High Scenario would offer the highest amount of financing for vaccines.

#### **vi. Gender and Development**

29. Participants underscored the importance of supporting women's voice and agency, family planning, and integrating gender in climate actions. They welcomed the new dedicated commitment on supporting women's empowerment through restoring and expanding access to quality and

affordable sexual and reproductive, adolescent, and maternal health, and appreciated the specific reference to “sexual health” in line with the Sustainable Development Goal 5.6. Some Participants requested the inclusion of ‘family planning’ in the policy commitment, and some stressed the importance of safeguarding against Sexual Exploitation, Abuse and Harassment. Management explained that family planning was a central part of IDA’s support to reproductive health. Some Participants called for an additional policy commitment on strengthening women’s leadership in climate action. Management reiterated that integrating gender in climate efforts was an important focus in the development of climate-related policies and investments.

#### **vii. Fragility, Conflict and Violence**

30. Participants expressed support for the ambitions of the Fragility, Conflict, and Violence (FCV) policy package, including the proposed policy commitments and the newly introduced FCS sub-targets across all special themes. Participants also mentioned the importance of adopting a more systematic approach to partnerships, including across the humanitarian, development, and peace nexus, in particular with UN agencies. Management reassured Participants that partnerships are an integral part of IDA’s engagements in FCS. This included collaborating closely with the United Nations and a broad range of other partners and stakeholders, including bilaterals, multilaterals, and civil society organizations, on operations and diagnostic work such as Recovery and Peacebuilding Assessments.

#### **viii. Climate Change**

31. Management reaffirmed its commitment to the WBG Climate Change Action Plan 2021-25 and the highly ambitious IDA20 Climate Change package that would ensure that all new IDA20 operations would be aligned with the goals of the Paris Agreement starting in FY24 (and, in the case of the IDA Private Sector Window or PSW by end IDA20) in the context of sustainable development and efforts to eradicate poverty. Several Participants requested Management to commit to the 1.5°C pathway and climate-neutrality by mid-century and explicitly reference these targets in the Deputies Report. Management explained that by aligning operations with the Paris Agreement, the WBG would contribute to the global response to the threat of climate change, among other things, by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. This would be reflected in the next version of the IDA20 Deputies Report, alongside written comments.

32. Participants acknowledged the (a) increased ambition of several Climate Change policy commitments since June, including on transitioning key systems in 50 countries; (b) enhancing biodiversity and ecosystem services in 20 countries; and (c) strengthening management of fresh water, coastal and marine ecosystems in 25 countries. IDA’s support to clean cooking and National Biodiversity Strategies and Action Plans (NBSAPs) would be tracked in the RMS. Management would also work to develop a methodology to identify, monitor, and assess the extent to which financing generates biodiversity and ecosystems services. A request was made for a policy commitment on climate- and nature sensitive national accounting.

33. Management explained that IDA would continue supporting countries to update and implement their Nationally Determined Contributions (NDCs) and providing support to develop complementary and mutually reinforcing Long-Term Strategies (LTS). Participants welcomed Management’s commitment to include LTS in the policy commitment and some participants asked

for ambitious targets on the number of LTS supported. NDCs were expected to increase over time, and IDA would intensify the support both on implementation and on developing new updated NDCs by 2025. Management agreed to further clarify potential IDA support, including quantitative targets, to LTSs, as part of CCDRs and in the policy package. Management also highlighted that IDA, together with IDA clients, aimed to systematically explore available opportunities to identify realistic and socially inclusive approaches for phasing out fossil fuels. This entailed supporting clients to think through other systemic barriers that need to be addressed in order to enable a ‘Just Transition’ from the current investment needs to low-carbon options.

#### **ix. Jobs and Economic Transformation**

34. Participants welcomed the enhancements made to the Jobs and Economic Transformation framework since June, including the strengthened focus on skilling of agricultural workers, the focus on ‘decent work’, and the added emphasis on cybersecurity for digital development. Some Participants asked for a more robust narrative on migration across different themes to be included in the final Deputies Report. Management highlighted the significance of IFC’s and MIGA’s ambitious targets for FCS during IDA20 and explained that IFC was redoubling its efforts in these countries and would aim to reach 15 percent during IDA20. Management added that reaching an average of 15 percent delivery in FCS markets would be very challenging and would exceed commitments made by IFC as part of its Capital Increase. Achieving these targets would require a robust PSW envelope.

#### **x. Partnerships**

35. Some Participants asked for a stronger commitment by IDA in the area of partnerships, including with UN agencies and on global initiatives in support of the Human Capital agenda. Some Participants asked IDA to participate in Integrated National Financing Frameworks as a platform for coordination of development finance actors around national development plans. Management reassured Participants that partnerships represented an integral part of IDA’s work and noted that setting quantitative targets for collaboration could lead to perverse incentives to “tick the box” and not necessarily to better development outcomes. Rather, IDA would continue to strengthen its partnership with a broad range of development actors focusing on specific development priorities and considering specific country circumstances and priorities.

#### **xi. IDA20 Results Measurement System**

36. Participants welcomed the robust IDA20 RMS, including the enhancements introduced since the June meeting, and noted the visible efforts to strengthen ambition and outcome-orientation. Some Participants noted the importance of continuity of indicators across IDA cycles. Participants welcomed the introduction of indicators to track the COVID-19 response. Management clarified that a vaccine-related indicator would cover vaccines administered with IDA support. Participants also highlighted other notable additions to the RMS: (a) the addition of an indicator on tax fairness and progressivity in Tier 1; and (b) tracking of NBSAPs to be supported in Tier 2, with a target indicating a 25 percent increase from its level in IDA19. A request was made for placing the indicator on tax fairness and progressivity under Tier 2 to reflect that outcomes are specifically attributed to IDA-financed operations. Participants noted that Management would propose an indicator to track IDA’s support to crisis preparedness by the IDA20 MTR. A request was made for separating pandemic preparedness from other crisis investments.

37. Several Participants requested indicators to be disaggregated by sex. Management clarified that all Tier 1 and Tier 2 indicators were disaggregated by sex to the greatest extent possible (the primary exception is for community- or household-level services, like transportation and electricity) and agreed to identify options to provide sex-disaggregated data for the indicator on population of children who cannot read. Management was exploring disaggregation of the indicator on access to finance, to determine if this would meet the minimum reporting threshold. No other Tier 1 indicator could be disaggregated by the bottom 40 percent because data on outcomes and income/consumption were drawn from different sources that cannot be merged. On disability inclusion, IDA20 would track the share of operations using the concept of universal access and the number of countries receiving technical assistance to strengthen collection of disability data. IDA remained committed to use the question sets from the Washington Group on Disability Statistics, which were already part of the WBG's commitments on disability inclusion.

38. Some participants asked to track natural capital and IDA's contribution to creating an enabling environment for sustainable food systems development. Management shared that it was exploring the possibility of introducing a new indicator to track natural capital based on the CMON methodology. On the issue of going beyond the single Tier 1 food security indicator, Management noted that although the conceptual framework around food security was well-established, food insecurity could arise for a variety of different reasons — ranging from poor agricultural yields through crop storage failures, abrupt food price increases, or transportation bottlenecks, to deepening income poverty — and so it was not obvious how to capture the risk of food insecurity, or IDA's contribution to enhancing food security, in the context of these and other relevant factors. On contraceptive prevalence, Management explained that unlike prevalence data for married women, very few countries collect data for prevalence among sexually active unmarried women, and so IDA had to date been reporting data that meets the RMS's established threshold for reporting information under Tier 1 (namely, that the information covers two-thirds of the population in IDA countries).

39. Furthermore, some Participants proposed including other RMS indicators, including students that benefitted by appropriate level of teacher qualification, renewable energy, LTS, peace and conflict, as well as partnerships and joint analysis, among others. Management would consider if these could be included as part of the current proposal for the IDA20 RMS, bearing in mind that indicators needed to be quantifiable, sensitive to regular changes, collected from widely accepted sources, and amenable to aggregation across IDA countries.

#### **D. IDA20 Request for Resources and Financing Framework**

40. **Ms. Anshula Kant**, World Bank Managing Director and Chief Financial Officer, explained how the two new IDA20 financing scenarios responded to requests made at the second IDA20 Replenishment Meeting in June, as well as the call by African Heads of States in Abidjan in July. Ms. Kant noted IDA's long tradition of innovations to stretch the reach of donor contributions through balance sheet optimization (BSO) in line with the leveraging principles, while maintaining the strength of IDA's triple-A rating and long-term financial sustainability. On the long-term bond program, she noted that this builds on the World Bank's long and deep experience in capital markets, expressed confidence in Management's ability to deliver the program proposed under the Mid-High Scenario, emphasized that the long-term fixed rate bond program is also well aligned with IDA's risk management and asset liability management strategy, and underscored that the incorporation of the program into the IDA20 scenarios is not expected to lead to any disruptive adjustment in IDA20 or future replenishments.

41. Most Participants supported the Mid-High Scenario. Some Participants highlighted that the donor contributions for IDA20 would come on top of the original IDA19 contribution and represent a significant step-up from donors in the shortened five-year IDA19-IDA20 period. Some Participants expressed preference for the High Scenario or between Mid-high and High scenarios, and a few preferred the Base Scenario. A number of Participants were not in a position to pronounce themselves in favor of a particular scenario at this time. A few Participants requested to see analysis that added BSO benefits to the Low Scenario for comparison with Mid-High and High scenarios. There were enquiries about the possibility of increasing the IDA20 financial envelope at the MTR contingent upon the success of the bond program. Management expressed confidence in implementing the long-dated bond program and emphasized the important practice of concluding replenishment negotiations at the fourth and final meeting. Many Participants emphasized the exceptionality of the IDA20 replenishment, noting that IDA20 financing levels should not set a benchmark for future replenishments, with a few noting that this should be reflected in the Deputies Report.

42. Regarding the BSO measures, most Participants supported the proposed measures that accompanied the Mid-High Scenario, including introducing Shorter-Maturity Loans (SMLs), refining financial terms for IDA-only yellow-light countries (with the exception of small states) by introducing 50-year credit terms, and launching a long-dated market bond program. Management emphasized that these measures are aimed at stretching the reach of donor contributions while continuing to ensure strength of IDA's triple-A rating and its long-term financial sustainability.

43. Participants welcomed the adjustments to the design of the SMLs presented by Management and requested Management to closely track SML impacts, including debt sustainability implications of both the SMLs and 50-year credits, particularly for IDA-only yellow-light countries. Adjustments included not providing red-light blend and gap small states with access to SMLs as stated in the Staff Written Statement and checking the Debt Sustainability Analysis for impact on countries' debt position before providing yellow IDA-only countries with access to SMLs in both the PBA and SUW (as a further refinement to an earlier proposal stated in the Staff Written Statement). Management further agreed that SDFP set-asides would be taken first from SML allocations. Participants also acknowledged the additional information provided by Management on potential demand for SMLs and emphasized the need to ensure that the use of SMLs would be strictly demand-driven and should target transformational projects.

44. On the long-dated market bond program, some Participants requested additional assurances that incorporation of the long-dated market bond program would not lead to calls for additional donor resources in IDA20 or affect the funding levels of future replenishments. Management confirmed that the size of the long-dated market bond program included in the Mid-High Scenario is realistic and prudent and the incorporation of the program is not expected to lead to requests for additional donor contributions or disruptive adjustment to either IDA20 or future replenishments. Management agreed to provide regular updates on the implementation status of the long-dated market bond program, beginning at the Annual Meetings in 2022, to maintain predictability in IDA financing. Some Participants requested for more details on the implementation of the long-dated bond program and the risks involved, and Management offered to organize a follow-up technical session.

45. A concern was raised relating to Arrears Clearance, specifically whether resources should be locked in for a low probability event instead of using such resources in IDA20 for re-engaging with potentially eligible countries. A few other Participants stressed the importance of having the Arrears

Clearance set-aside, both for timely support and for incentivizing reforms that could lead to re-engagement.

46. Finally, Participants agreed to adopt the finalized discount rate for the IDA20 encashment framework (which would maintain the nine-year standard encashment schedule per previous practice), and the finalized discount rate for the IDA20 Concessional Partner Loans, as described in the Operational and Financing Framework paper.

#### **E. Final IDA20 Replenishment Meeting**

47. The IDA Deputy from Japan, **Mr. Kentaro Ogata**, announced that the dates of the fourth and final IDA20 Replenishment Meeting in Tokyo were confirmed for December 14–15, 2021. The Government of Japan was taking exceptional steps to ensure a safe and successful meeting and Participants received communication on the detailed logistical arrangements shortly after the meeting. **Mr. van Trotsenburg** extended his appreciation of the Government of Japan’s generous offer to host the Final IDA20 Replenishment Meeting and expressed confidence in having a successful meeting. In closing, **Mr. Kalyalya** said that he looked forward to hopefully seeing Participants in-person in Tokyo and expressed hopes for a historic replenishment that would demonstrate how the international community was coming together in solidarity during time of great need and uncertainty.

#### **F. Next Steps**

48. Based on the feedback and endorsement received, Management committed to the following ahead of the Final IDA20 Replenishment Meeting in December 2021: (a) organize in early November a technical session on long-dated bonds; (b) circulate the revised draft IDA20 Deputies Report for public consultation; and (c) share the final draft IDA20 Deputies Report well in advance of the Final IDA20 Replenishment Meeting in Tokyo.

## **Annex 1: Papers Circulated Prior to the Meetings**

### ***IDA Papers***

1. The Structural Gap and Reported Burden Share (September 13, 2021)\*
2. Local Currency Financing Solutions for IDA Countries (September 13, 2021)\*
3. Review of the Capital Adequacy Framework of IDA (September 13, 2021)\*
4. IDA19 Mid-Term Review of the Operationalization of the Fragility, Conflict and Violence Envelope (September 23, 2021)
5. IDA19 Mid-Term Review of the Crisis Response Window Early Response Financing (September 23, 2021)
6. Sustainable Development Finance Policy of the International Development Association: Implementation Update (September 23, 2021)
7. IDA19 Mid-Term Review of the IDA Refugee Policy (September 23, 2021)
8. Draft IDA20 Deputies Report (October 2, 2021)
9. Operational and Financing Framework (October 2, 2021)\*
10. IDA19 Implementation Review (October 9, 2021)
11. IDA Results: A Story of Outcomes (October 19, 2021)
12. Review of the IDA Capital Value Protection Program\* (September 17, 2021)

\* *These papers were not publicly disclosed as per the World Bank's Access to Information Policy which excludes disclosure of papers that contain confidential financial projections*

### ***IEG Papers***

13. IEG. 2021. *IDA's Sustainable Development Finance Policy – An Early-Stage Evaluation*. Washington, DC: World Bank Group
14. IEG. 2021. *The International Finance Corporation's and Multilateral Investment Guarantee Agency's Support for Private Investment in Fragile and Conflict-Affected Situations*. Washington, DC: World Bank Group
15. IEG. 2021. *World Bank's Support to Reducing Child Undernutrition – An Independent Evaluation*. Washington, DC: World Bank Group
16. IEG. 2021. *World Bank Engagement in Situations of Conflict – An Evaluation of FY10-20 Experience*. Washington, DC: World Bank Group.