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IDA16

SPECIAL THEMES FOR IDA16

INTERNATIONAL DEVELOPMENT ASSOCIATION

IDA RESOURCE MOBILIZATION DEPARTMENT (CFPIR)

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ABBREVIATIONS AND ACRONYMS

AAA	Accra Agenda for Action
AAA	Analytic and Advisory Activities
AfDB	African Development Bank
AfDF	African Development Fund
AFR	Africa Region
ARGeo	African Rift Geothermal Energy Development Program
CAS	Country Assistance Strategy
CIF	Climate Investment Fund
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CRS	Creditor Reporting System
CTF	Clean Technology Fund
DPO	Development Policy Operation
EACC	Economics of Adaptation to Climate Change
EAP	East Asia and Pacific Region
FCCs	Fragile and Conflict Affected Countries
FIP	Forest Investment Program
GAP	Gender Action Plan
GDP	Gross Domestic Product
GEF	Global Environment Facility
GET	Global Expert Team
GHG	Greenhouse Gases
GIIF	Global Index Insurance Facility
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Financial Corporation
IEG	Independent Evaluation Group
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MDTF	Multi-Donor Trust Fund
MMR	Maternal Mortality Rate
MTR	Mid-Term Review
NEGIP	Nigeria Electricity and Gas Improvement Project
ODA	Official Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development – Development Assistance Committee
PBA	Performance-Based Allocation
PCPI	Post Conflict Performance Indicators
PPCR	Pilot Program for Climate Resilience
PRG	Partial Risk Guarantee
SDN	Social Development Network
SREP	Scaling-Up Renewable Energy in Low Income Countries
TTL	Task Team Leader
UN	United Nations
UNDB	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
WBG	World Bank Group
WDR	World Development Report

TABLE OF CONTENTS

Executive Summary	i
I. Introduction.....	1
II. Special Themes in Context	1
III. Mainstreaming Gender.....	3
A. Gender and the MDGs.....	4
B. Achievements and Lessons Learned in Gender Mainstreaming	7
C. Key Commitments for IDA16.....	8
IV. Climate Change.....	11
A. Climate Change and Development	11
B. IDA’s Achievements To Date	14
C. Achieving Climate Resilient Development in IDA16.....	15
D. Monitoring.....	18
E. Key Commitments for IDA16.....	19
V. Fragile and Conflict Affected Countries.....	19
A. Research, Knowledge and Learning.....	20
B. Improving Partnerships and Aid Coordination.....	22
C. Increasing the Effectiveness of Multi-Donor Trust Funds	22
D. Enhancing IDA’s Effectiveness through Staffing and Decentralization Initiatives	23
E. Compliance with Fiduciary Principles: Balance of Risks and Speed in Implementation	25
F. Measurement of Progress in Fragile and Conflict Affected Situations	26
G. Key Commitments for IDA16.....	26
VI. Issue for Discussion.....	27
 <u>Boxes</u>	
Box 1: Gender Equality is Critical to Achieve all MDGs - Examples.....	5
Box 2: Schooling and Fertility	6
 <u>Figures</u>	
Figure 1: Distribution of World Climate Risks.....	12
Figure 2: Cost of Adaptation in IDA Countries (in US\$ billions at 2005 prices).....	13
Figure 3: IDA Staffing in Fragile and Conflict-Affected Countries, FY2006-09.....	24
 <u>Annexes</u>	
Annex 1: Development Progress in IDA Countries.....	28
Annex 2: The Economics of Adaptation to Climate Change Study’s Methodology	36
Annex 3: Climate Investment Funds.....	40

EXECUTIVE SUMMARY

- i. **At the first IDA16 replenishment meeting held in March 2010, Participants agreed that IDA16 should focus on development results as the overarching theme.** In addition to this overarching theme, participants also agreed that gender, climate change, fragile states (henceforth referred to as “fragile and conflict affected countries” – FCCs) and crises response would be the “special themes” for IDA16. Note that crisis response is discussed in a companion paper.
- ii. **Per these agreements, this paper discusses the special themes of gender, climate change and FCCs within the broader framework of achieving development results.** First, it links the special themes to development outcomes and deals explicitly with results measurement in each of the three special themes. Second, while recognizing that IDA is only one of several contributors to the improvement of development outcomes, the paper identifies actions which will strengthen IDA’s agency effectiveness in support of development outcomes in the three special themes. The paper begins by placing the special themes in context, including through a review of recent development progress. Specific proposed actions for IDA16 are detailed in subsequent sections.
- iii. **IDA countries have been making steady progress on development outcomes, as measured by the most recent Tier 1 indicators in IDA’s results measurement system (RMS).** However, for many countries the rate of progress has been short of what is needed to achieve the Millennium Development Goals (MDGs). Moreover, due to lags in reporting, these indicators have not yet captured the impact of recent crises which have slowed and in some cases reversed development progress, as discussed in the paper on a proposed crisis response window. The current RMS has a broad focus given the inherently multi-sectoral nature of the development process and is being complemented with an enhanced focus on progress in some critical development issues. In this context, gender mainstreaming, climate change and fragile and conflict affected countries are “frontier” issues where efforts need to be scaled up on the operational side.
- iv. **Building on recent experience and work already underway, Management is proposing a number of actions to improve IDA’s effectiveness in these special themes during the IDA16 period.** As noted below, some of the recommendations include enhancements to IDA’s RMS, including indicators to monitor agency-level effectiveness.
- v. **Gender:** Addressing gender issues can help progress on all MDGs, including poverty reduction. Yet the progress of IDA countries towards gender-related MDG targets has been uneven across targets and has differed significantly across countries, regions and income groups – with FCCs lagging behind on all counts.
- vi. **IDA’s gender-related efforts during IDA16 will focus on four areas:** (i) scaling up gender mainstreaming and efforts on gender-related MDGs including through the preparation by all Bank regions of regional gender action plans and review of their implementation at the IDA16 Mid-Term Review (MTR), implementation of the reproductive health action plan (including follow-up with 52 priority countries with high maternal mortality rates and total

fertility rates), completion of the forthcoming Education Sector Strategy and subsequent implementation of a program for action with attention paid to gender issues in targeted countries, and improving integration of gender issues in CASs; (ii) strengthening the results framework for gender; (iii) intensifying capacity-building efforts; and (iv) articulating and disseminating the business case for gender mainstreaming around the 2012 WDR on development and gender equity.

vii. **Climate Change**: Climate change presents an urgent challenge to the well-being of all countries and particularly to the poorest countries. It is also increasing the cost of achieving the MDGs. Bank staff estimates that the cost for IDA countries will be around US\$24-26 billion per year over the next ten years. Estimates indicate that costs will rise to US\$40 billion by 2050. The steepest increases will take place in Sub-Saharan Africa (over a twofold increase). Meeting the climate challenge involves timely support for appropriate projects, policies and institutions, with a view to ensuring that development investments are made climate resilient.

viii. During the IDA15 period, IDA contributed to knowledge creation on climate change, provided core development finance, and served as a platform for leveraging additional resources. The capacity to combine these three functions is unique to IDA. They can be scaled up during IDA16, while a climate change financing platform is agreed upon at the UNFCCC level. Going forward, IDA would aim to promote climate resilient development by integrating knowledge, strategic work, investment and policy support and by leveraging finance from other sources. In particular, IDA would (i) build climate resilience and capture mitigation opportunities in core development and maximize the leveraging of specialized funds for climate change; and (ii) strengthen monitoring and reporting of IDA resources used for mitigation and adaptation. Bank staff has estimated that climate proofing costs of around 6 percent of the total value of IDA investment projects (approximately US\$800-900 million) per year will be incurred. Given that these costs are embedded within development projects, the higher replenishment scenarios for IDA16 seek to include these incremental costs.

ix. **Fragile and Conflict Affected Countries**: FCCs account disproportionately for gaps in achieving the MDGs. In addition, political instability and armed violence in these countries can have negative spillover effects in neighboring countries. Successive IDA replenishments have proactively responded to the special needs and circumstances of these countries, including through enhanced operational and financial support, scaling up of activities and increased decentralization of staff. Much progress has been made but further efforts are needed. In this context, the following operational relevant measures will be implemented during the IDA16 period: (i) prepare a comprehensive assessment of financing for FCCs and specific proposals as warranted for consideration at the IDA16 MTR; (ii) complete an IEG evaluation of the Bank's work in FCCs; (iii) revise the current Operational Policy (OP) 2.30 on Development Cooperation and Conflict; (iv) expand efforts to fully mainstream MDTFs for FCCs into the core Bank business; and (v) continue efforts to attract experienced staff, decentralize staff and decision making in fragile countries, and get the right balance of skills.

x. **Apart from continuing and intensifying work on the ground on these themes, ongoing efforts need to be complemented by more analytical work** so as to improve understanding as well as translate research findings and lessons learned into new operational

tools and policies, measurement of results and, ultimately, results on the ground. All three special themes are therefore the focus of intensive analytical efforts. For instance, each theme is addressed in a recently published or forthcoming World Development Report (WDR): climate change was the topic of the 2010 WDR; FCCs is the topic of the 2011 WDR, and as indicated in the paper, development and gender equity will be the topic of the 2012 WDR.

SPECIAL THEMES FOR IDA16

I. INTRODUCTION

1. **The central challenge faced by IDA countries – particularly in Sub-Saharan Africa – is to accelerate progress in achieving development outcomes, including the Millennium Development Goals (MDGs).** During the first meeting of the IDA16 negotiations in Paris in March 2010, participants broadly agreed that IDA16 should focus on development results as the overarching theme for the replenishment.¹ This paper, therefore, commences with a brief review of the current status of country level development results as captured by IDA’s Results Measurement System (RMS). In addition to this overarching theme, participants also supported a focus on gender, climate change, fragile states (henceforth referred to as “fragile and conflict affected countries” – FCCs) and crises response as “special themes” for IDA16.
2. **This paper addresses three of the four special themes (i.e. gender, climate change and FCCs).**² As requested at the Paris meeting, the paper discusses the special themes within the broader framework of achieving development results. First, it links special themes to development outcomes and deals explicitly with results measurement in each of the three special themes. Second, while recognizing that IDA is only one of several contributors to the improvement of development outcomes, the paper identifies actions which will strengthen IDA’s agency effectiveness in support of development outcomes in the three special themes.
3. **This paper builds on detailed progress reports presented and discussed at the IDA15 Mid-Term Review (MTR) on all three special themes.**³ The paper is organized as follows. Section II sets the context for the special themes. The next three sections then discuss the gender mainstreaming, climate change and FCCs in turn. Section VI sets out the issue for discussion.

II. SPECIAL THEMES IN CONTEXT

4. **This section provides the broader context within which the special themes are being discussed.** The section first reviews recent evidence about development progress in IDA countries, as measured by IDA’s RMS. It then discusses the need to better understand the links between development outcomes and the special themes as IDA moves to improve how it measures and monitors results. Specific recommendations for each theme are set out in the subsequent sections.
5. **The IDA RMS monitors development results at two levels: at the country level (Tier 1) and the agency level (Tier 2).** The RMS was first introduced in IDA13 and has since been

¹ See “Setting the Agenda for IDA16”, IDA policy paper, February 2010, and Chairperson’s Summary from the first IDA Deputies Meeting, Paris, France, March 3-4, 2010, paragraph 5.

² Crisis response is discussed in a companion paper proposing the establishment of a permanent Crisis Response Window within the IDA framework. See “Proposal to Establish a Permanent Crisis Response Window in IDA”. IDA policy paper, May, 2010.

³ See papers prepared for the IDA15 MTR in November 2009: “World Bank Gender Action Plan Implementation Status Update”; “IDA’s Support for Fragile and Conflict-Affected Countries: Progress Report 2007-2009”; and “IDA and Climate Change: Progress Report”.

enhanced in light of experience, and as additional data has become available. The current RMS monitors fourteen development outcome indicators (Tier 1) to track overall development progress in IDA countries. These indicators were selected because they are the most relevant and measurable in the majority of the IDA countries. Tier 2 indicators monitor IDA's agency effectiveness and its contribution to development outcomes.⁴

6. IDA countries have been making progress on all Tier 1 indicators, based on data up to April 2009.⁵ As detailed in Annex 1, prospects for some IDA countries to achieve some MDG targets have improved, although the rate of progress is short of what is needed to achieve most of these targets. Moreover, due to lags in the measurement and collation of indicators, these indicators do not yet capture the impact of recent crises which in some cases reversed the recent record of development progress. Past experience suggests that the impact is serious because of the severity of the crises and the tendency for indicators of human development to decline rapidly during economic downturns and improve slowly during economic booms.⁶

7. The current RMS has a broad focus given the inherently multi-sectoral nature of the development process. At the same time, gender mainstreaming, climate change and fragile and conflict affected countries have been in the recent past "frontier" issues on the development debate. Work is still ongoing to improve understanding as well as translate research findings and lessons learned into new operational tools and policies, measurement of results and, ultimately, results on the ground. In the IDA context, both at the Board and in recent IDA replenishment discussions, climate change and FCCs have been on the agenda; the latter issue was indeed a special theme also during the IDA15 replenishment. Gender, furthermore, has figured as a cross-cutting issue in the last four replenishment reports.

8. A first step towards greater effectiveness is a better understanding about what moves the development indicators related to the special themes. To this end, all three special themes are the focus of intensive analytical efforts. For instance, each theme is addressed in a published or forthcoming World Development Report (WDR): climate change was the topic for the 2010 WDR; FCCs is the topic for the 2011 WDR, and as indicated in this paper, gender equality will be the topic for the 2012 WDR. The timing of the 2011 WDR and the 2012 WDR mean that the findings of these two reports cannot be reflected in the present paper (although the early findings on FCCs are available).

9. Analysis by the Bank and others will help develop better policies and instruments as well as more meaningful indicators with which to track progress. It is however important to recognize that evidence of progress on the special themes will take time to materialize – each special theme is highly complex and related indicators are only expected to change slowly. Furthermore, progress depends on a range of factors and developments that IDA often can only affect indirectly. For instance, in the case of conflict affected countries the security situation can be a prime determinant of progress. Similarly, on gender issues country demand and priorities for the use of IDA resources play a key role in IDA's ability to help improve outcomes, and

⁴ See the companion "Implementation Framework Report" for further discussion on IDA's agency effectiveness indicators.

⁵ Note that the IDA RMS was reviewed for the IDA15 MTR in November, 2009. See "The IDA Results Measurement System: Mid-Term Review", November, 2009.

⁶ See "Global Monitoring Report 2010: The MDGs after the Crisis", World Bank, 2010.

countries may also have alternative sources of funding for gender-related projects. Finally, in the case of climate change IDA is able to move forward with climate proofing its investments and on building climate resilience as per the findings on the 2010 WDR on climate change.

10. **Even as the knowledge base is being developed, management is proposing enhancements to IDA’s RMS during the IDA16 period.** Specifically, as discussed further in the next section, IDA management intends to add a gender-related country-level outcome indicator where data are widely available at the national level in IDA countries. In addition, IDA would also add core sector indicators and track indicators that measure IDA’s support to gender-based country outcomes (see section III for further details).

11. **The proposals for further progress set out in this paper build on substantial work that is already underway but will need to be revisited during the IDA16 implementation period.** The proposals reflect the key priorities outlined in the Post-Crisis Directions (PCD) paper recently discussed with the Bank’s Board, and are consistent with the package of reforms outlined in the paper on internal reforms that accompanied the PCD paper. While they will advance our collective effort in these areas, it is still important to recognize that further policy-related discussions are likely to be needed in the IDA context, in particular to take full account of the findings of the upcoming WDRs on FCCs and gender, as well as the outcomes of discussions on financing for climate change that are going on outside the IDA ambit.

III. MAINSTREAMING GENDER

12. **The Millennium Declaration endorsed by the world’s governments in 2000 identifies gender equality and the empowerment of women and girls as among the most effective ways to “combat poverty, hunger and disease and to stimulate development that is truly sustainable.”**⁷ At the World Summit in 2005, governments reaffirmed their conviction that “progress for women is progress for all.”⁸ IDA, as the largest source of concessional finance for low-income countries, can play a critical role in investing in women’s health, education and ensuring their equal access to economic opportunities.

13. **This section identifies IDA16 commitments designed to accelerate progress on gender issues.** During the IDA16 period, IDA will enhance gender mainstreaming in its operations and analytical work, and introduce a robust results framework with indicators for each gender priority area in IDA16. IDA will also implement an action plan to accelerate progress on the gender-related MDGs.⁹

⁷ UN General Assembly. 2000. *United Nations Millennium Declaration*, para. 20. UN Doc. A/RES/55/2.

⁸ UN General Assembly. 2005. *2005 World Summit Outcome*, para. 58. UN Doc. A/60/L.1.

⁹ This section draws on the findings from World Bank reports, including “*Applying GAP Lessons: a Three-year Road Map to Gender Mainstreaming*”; “*Gender and Development: An Evaluation of World Bank Support, 2002-2008*”, Independent Evaluations Group, 2010; “*Gender Action Plan Third-year Progress Report*”, and the forthcoming *Education Sector Strategy* and the *Reproductive Health Action Plan* for the World Bank.

A. Gender and the MDGs

14. **Achieving gender equality matters in terms of both equity and efficiency: gender inequalities in access to public services and economic opportunities are associated with increased poverty and lower economic growth.** The notion of the instrumental impact of gender equality on other “non-gender” development goals is embedded in the MDGs. Achieving MDG3 – the most explicit gender equality goal – will have a positive impact and speed progress on most, if not all, MDGs, also those that do not directly target gender equality (see Box 1). The progress of IDA countries towards MDG gender goals has been uneven across goals and has differed significantly across countries, regions, income groups or institutional status – with FCCs lagging behind on all counts.

15. **Expanding women’s economic opportunities is central to MDG1, to eradicate extreme poverty and hunger.** With fewer children and higher education levels than before, overall, women in IDA countries are better placed to enter the labor market, but important barriers remain. The employment to population rate for young women of age 15-24 is much below that of young men, especially in IDA countries moving into early demographic transition, where only 25 percent of the female population is employed compared to 55 percent of the male population. Investments in support of new entrants into the labor force can take advantage of the demographic ‘window of opportunity’ that will open or is opening to a majority of IDA countries.¹⁰

16. **There is also significant scope for improving women farmers’ access to land and agricultural markets;** investing in crops for which women can control sales; designing labor market policies to encourage entrepreneurship and increased employment options for women; expanding access to financial services and, equally important, facilitating women’s access to infrastructure investments – which is often a precondition for having access to the above markets.

¹⁰ For a more extensive discussion on the underlying demographic analysis, please refer to “Applying Lessons of the GAP: a Three-year Roadmap for Gender Mainstreaming”, World Bank, 2010.

Box 1. Gender Equality is Critical to Achieve All MDGs – Examples

Goal 1: Eradicate extreme poverty and hunger

- Gender equality in health and education and in access to opportunities can accelerate economic growth.
- Equal access for women to basic transport and energy infrastructure can lead to greater economic activity.
- Gender equality in farm inputs helps increase agricultural production and food security and reduces poverty because women farmers form a significant proportion of the rural poor.
- Equal investment in women's health and nutritional status reduces chronic hunger and malnourishment, which increases productivity and well-being and their ability to care for children and provide them with good nutrition.

Goal 2: Achieve universal primary education

- Educated girls and women have greater control over their fertility and participate more in public life.
- A mother's education is a strong and consistent determinant of her children's school enrollment and attainment and their health and nutrition outcomes.

Goal 4: Reduce child mortality and Goal 5: Improve Maternal Health

- A mother's education, income, and empowerment have a significant and measurable impact on children's survival probabilities, and help lower her own risk of mortality.

Goal 6: Combat HIV/AIDS, malaria, and other diseases

- Greater economic independence for women, increased ability to negotiate safe sex, greater awareness of the need to alter traditional norms about sexual relations, better access to treatment, and support for the care function that women perform are essential for halting and reversing the spread of HIV/AIDS and other epidemics.

Adapted from Box 2.1 *Gender Equality is Critical to Achieving All the Goals* in Grown and Gupta (2005) "Taking Action: Achieving Gender Equality and Empowering Women". "UN Millennium Project Task Force on Education and Gender Equality".

17. **MDG1** also includes the target of halving, between 1990 and 2015, the proportion of people who suffer from hunger. Women are the key to meeting this target – the *nutritional* window of opportunity is from pregnancy through the first two years of life. During that period, under-nutrition can cause irreversible setbacks in growth and mental development, which can limit education and reduce adult productivity. Targeting interventions to women of childbearing age, particularly during pregnancy and as new mothers, is critical, as malnourished mothers have malnourished children who are most likely to die within the first year – and if they survive, will forever bear the burden of early under-nutrition. Priority investments include providing iron supplements to women during pregnancy, counseling on infant and young child feeding and care, and encouraging adequate intake of nutrient-dense food. Greater gender equality and economic opportunity, which would allow women to make decisions about child care, are also important to meeting the goal of reduced child under-nutrition.

18. **MDG3**, on the promotion of gender equality and empowerment of women, targets the elimination of gender disparities in education. For primary education progress has been good overall, but challenges remain. Of the 62 IDA countries for which data are available, 10 had achieved the MDG3 target by 2008. However, 12 IDA countries, mostly in Sub-Saharan Africa, are seriously off track to meet this target, even by 2015. In addition, large gender gaps in schooling persist among disadvantaged and excluded groups, even when there is gender parity at the national level, and targeted policies are needed to increase school enrollments of girls from these groups. At the secondary level of education, the gender gap remains a serious concern in both Sub-Saharan Africa and South Asia, where enrollment ratios remain low, with 79 girls enrolled per 100 boys. In many Sub-Saharan countries, the secondary enrollment ratio is below 75 and as low as 46 in the case of Benin.

19. **Achieving MDG5 on maternal mortality has been especially challenging for most IDA countries and is the MDG where there has been the least progress.** While recent estimates show that many countries have made significant headway in reducing maternal mortality since the 1980s, even with these more optimistic estimates, the world is very far from meeting the MDG5 target. The aggregate maternal mortality rate (MMR) declined from 422 (per 100,000 live births) in 1980 to 320 in 1990 and 251 in 2008. However, the yearly decline in the MMR since 1990 was 1.3 percent while the MDG5 target calls for a yearly decline of 5.5 percent. During 1990-2008, the decline in MMR varied across IDA countries and in some countries it increased (e.g., in Zimbabwe it went up from 232 to 624). In addition, the gap between rich countries and poor ones remains high: for instance, for every 100,000 live births in West Africa, 629 mothers die, compared to seven mothers in Western Europe.¹¹ Progress in maternal mortality is linked to factors such as lower fertility rates, rising income per-capita, greater education attainment among mothers; and access to good quality medical care before and especially during childbirth. At the same time, HIV/AIDS has had an adverse impact on progress, particularly in East and Southern Africa. Box 2 provides an example of efforts to reduce adolescent fertility, which is a key determinant of maternal mortality.

Box 2. Schooling and Fertility

In Malawi, a randomized intervention provided cash transfers to adolescent girls (aged 13-22) to stay in school. The impact evaluation found that the program reduced the dropout rate by more than 40 percent regardless of whether the transfers were conditional or unconditional. Cash transfers also reduced marriage among the adolescents in the program. An evaluation one year after the program had been put in place found that out-of-school girls who participated in the cash transfer program were 30 percent less likely than girls not receiving transfers to be pregnant; the evaluation found a similar reduction in the probability of marriage.

Source: World Bank Policy Research Working Papers No. 5259 and 5089.

20. **Protecting women and girls from the impact of crises.** The recent food, fuel and financial crises have highlighted the need to address gender issues in crises response. Evidence from this and earlier crises suggests that women and girls are especially exposed to the impact of crises, but also that women play a key role in helping poor families weather economic shocks. Investments supporting women's economic empowerment are thus a smart way to spend emergency resources, since these investments can help speed up recovery and get countries back on track faster towards poverty reduction and development.¹² Special attention is needed for girls, who are particularly vulnerable to economic shocks. Recent estimates indicate that the growth slowdown in 2009 will result in 30,000–50,000 excess deaths in Sub-Saharan Africa, most of them infant girls.¹³ An analysis of 59 low-income countries estimates that a 1 percent drop in per capita GDP raises infant mortality by 0.27 deaths per 1,000 births for boys but double that (0.53) for girls.¹⁴ The situation of girls is most precarious in the 15 countries, mainly in Sub-Saharan Africa, that are affected by high child mortality, low female schooling, and decelerating growth; protective measures targeting these girls are critically needed.

¹¹ See "Maternal mortality for 181 countries, 1980-2008: A systematic analysis of progress towards Millennium Development Goal 5", *Lancet*, published online April 12, 2010.

¹² See "The Global Financial Crisis: Assessing Vulnerability for Women and Children", World Bank, 2009.

¹³ See "How Many More Infants are Likely to Die in Africa as a Result of the Global Financial Crisis?" World Bank, 2009.

¹⁴ See "Aggregate Income Shocks and Infant Mortality in the Developing World," World Bank, 2009.

B. Achievements and Lessons Learned in Gender Mainstreaming

21. **The Bank's gender strategy launched in 2001 has sought to address gender issues that hinder development and poverty reduction in client countries.** In 2003, the Bank introduced a new operational policy (OP 4.20) for integrating gender in the full range of IDA operations. The Bank has since implemented its policy through Country Assistance Strategies (CASs), analytical work and financial support in coordination with client countries and other development partners. The Bank's work on gender mainstreaming was intensified following the launch of the four-year Gender Action Plan (GAP) in January 2007, which aimed at increasing gender coverage in the economic sectors, where progress was lagging.^{15, 16}

22. **Attention to gender in IDA project design has increased in both social and economic sector activities, though coverage is still greater in social sector activities.** Between FY06 and FY08, gender coverage in IDA project design increased from 69 to 77 percent in the social sectors and from 33 to 41 percent in the economic sectors. This shows there is still ample room for improvement particularly in the economic sectors which are key for poverty reduction and growth.

23. **Greater awareness and incentives provided through the GAP have contributed to improved coverage of gender in economic sectors in IDA operations.** Although not focused solely on IDA countries, more than 64 percent of GAP initiatives are carried out in IDA countries and 72 percent of GAP funds are spent on IDA country operations or analysis.¹⁷

24. **A recent evaluation of the Bank's 2001 Gender Strategy by the Independent Evaluation Group (IEG) concluded that gender inclusion improved over the period 2002–08, but needed strengthening in several areas.**¹⁸ In response to IEG's report and in agreement with IEG recommendations, Management committed to:

- Foster greater clarity and better implementation of the Bank's Gender Policy by issuing a guidance note to staff on the Bank's gender policy framework.
- Improve senior management accountability for Bank performance on gender.
- Strengthen the results framework, monitoring, and reporting system for the Bank's gender policy.
- Adequately fund efforts and continue incentives to strengthen gender and development work.

¹⁵ The GAP was developed to advance women's economic empowerment in client countries, targeting sectors where the mainstreaming strategy's track record was weaker, namely, in Agriculture and Rural Development, Economic Policy, Financial Management, Private Sector Development, Public Sector Governance and Infrastructure (referred to as the 'economic sectors' above). See *IDA 15 Mid-term Review, World Bank Group Gender Action Plan: Implementation Status Report, October 2009*.

¹⁶ Proposal to improve performance on gender and development that draws on the lessons from the implementation of the GAP will be discussed with the Board of Executive Directors before end-FY11.

¹⁷ This does not include the Adolescent Girls Initiative (18.5 million) which is implemented in five IDA countries, or strategic regional or cross-country initiatives often benefit both IDA and IBRD countries.

¹⁸ Independent Evaluations Group (2010) Gender and Development: An Evaluation of World Bank Support, 2002-2008, the World Bank.

- Strengthen integration of gender in CASs, including through gender diagnostics at the country level, gender assessments and the inclusion of gender analysis in other core analytical work.

25. **The Management Response to the IEG report noted that, disaggregating the IEG data, from FY06 to FY08, performance improved in agriculture from 58 percent to 71 percent of projects, and in infrastructure from 15 percent to 18 percent.** This finding corroborates the Bank's Annual Monitoring Reports which show that the falling trend of overall gender coverage in Bank operations leveled out in FY06 and reversed in FY07 and FY08. The improvement coincides with the implementation of the GAP, which targets these sectors. The levels of gender mainstreaming are still considerably lower than they should be, but the trend is positive.

26. **The Bank contracted an external evaluation agency to perform an independent mid-term evaluation of the four-year GAP.** The June 2009 evaluation report concluded that (i) incentives work and small investments can leverage substantial funding; (ii) demand for gender work is strong in economic sectors, with considerable room to scale up; and (iii) monitoring and evaluation needs strengthening. These findings bolster the case for scaling up the innovative mechanisms introduced by the GAP beyond the plan's expiration in December 2010.

C. Key Commitments for IDA16

27. **IDA is uniquely suited to support gender equality outcomes at the country level which requires integrating work across multiple sectors and sustaining efforts over long periods.**

- The multi-sector nature of gender issues requires assistance across sectors. Progress on key gender indicators – such as girls' enrollment and completion rates, maternal mortality, labor force participation, and asset ownership – also depends on investments in water, sanitation, transport, and access to financial services. While many agencies cover gender issues in education and health, few can match IDA's effectiveness in infrastructure, private sector development, agriculture, and financial service delivery. All are essential to expanding women's economic opportunities, which is a key pillar for advancing gender equality in IDA countries. This ability is a valuable asset, particularly in sectors where gender mainstreaming has been difficult. The Bank's global coverage is also able to stimulate South-South dialogues and sharing of expertise.
- IDA is able to draw on gender analysis and projects in all regions and bring in experience from countries (including IBRD countries) that have been successful in achieving gender equality. IDA can identify both gender issues and outcomes that are particular to a specific region and those that are independent of cultural context.
- Changing attitudes, traditions, and behaviors related to gender unfailingly takes time and requires unfaltering support and capacity building. IDA can apply lessons from different cultural contexts and sustain activities through its lending instruments and analytical and advisory services.
- The World Bank has a dedicated team of specialists and has often led in developing policy, tools, and resources for gender and development.

28. **Drawing on these comparative advantages, IDA will focus gender-related efforts during IDA16 on four areas:** (i) making a business case for gender mainstreaming through analytical work and advocacy around the WDR for 2012 on development and gender equity; (ii) scaling up work on gender issues at the regional and sectoral levels with special attention to gender-related MDGs; (iii) strengthening the results framework for the Bank's gender activities; and (iv) intensifying capacity-building efforts. Management attention to these commitments would be ensured through strengthened mechanisms for reporting on performance, including the review of the Annual Gender Mainstreaming Progress Report by the Managing Directors.

- **World Development Report 2012:** The 2012 WDR – Development and Gender Equity – will examine links and tensions that exist between development objectives and gender-related institutions, and the role of policies in resolving them. To this end, the WDR will build on and synthesize the growing body of multi-disciplinary analysis, evidence and data on development and gender equity while identifying key knowledge gaps. As noted by the IEG evaluation, low demand for gender mainstreaming interventions from client countries facing fiscal constraints and competing priorities has been a serious constraint: client demand is one of the strongest levers for influencing Bank operations and analytical work. The forthcoming 2012 WDR on gender equity presents a unique opportunity to articulate and disseminate the case for gender equity and hence help generate partner country demand. It is also a unique vehicle to capture and convey to staff and clients the available policy options to reduce gender inequalities and increase women's empowerment.

- **Action Plan on Gender Mainstreaming and Gender-Related MDGs:** Actions to scale up gender mainstreaming include:
 - All Bank regions will prepare **Regional Gender Action Plans**; implementation of these plans will be reviewed at the IDA16 MTR.
 - Implementation of **the Reproductive Health Action Plan**, including follow-up with 52 priority countries with high maternal mortality rates (MMRs) and total fertility rates (TFR); the Africa Region (AFR) will focus on 25 such countries.
 - Completion of the forthcoming **Education Sector Strategy** and subsequent implementation of a program for action with attention paid to gender issues in targeted countries.
 - **Improve integration of gender issues in CASs.** Current operational policy (OP 4.20) specifies that all CASs should draw from and discuss findings from periodical gender assessments.¹⁹ To ensure compliance with this policy, Management will take the following steps during IDA16. First, Management will issue a guidance note on the Bank's gender policy and will disseminate it widely internally. Second, training on CASs will include specific instructions on how to mainstream gender issues in CAS work. Finally, the PREM Gender and Development department will enhance its efforts as part of the Bank's CAS corporate review process to monitor the adequacy of gender analysis in CASs. These efforts will be complemented by activities

¹⁹ During FY05-09, 53 out of 61 IDA country CASs, or 87 percent, gave satisfactory or better consideration to gender issues, meaning they not only analyzed gender issues but also proposed one or more actions. This data is compiled from Annual Gender Mainstreaming Monitoring Reports.

mentioned above to build and disseminate a solid business rationale for gender equality – the basic incentive for Bank staff to mainstream gender issues and for client countries to demand gender equality work.

- **Strengthen the Results Framework for Gender.** The proposed results framework builds on indicators collected for the Annual Gender Mainstreaming Monitoring Report, or as part of a specific sector strategy or action plan (see Annex 1 for the detailed results framework for monitoring and evaluating progress in priority areas).

Tier 1. Country-level Outcomes: One country-level outcome indicator that is widely available at the national level will be added to the IDA16 results framework. Note that changes in these outcomes are not directly attributable to IDA operations.

- Share of women in wage employment in the non-agricultural sector

Tier 2. Core Sector Indicators: IDA has already defined output/outcome indicators that are gender-related, and will be collecting data on these indicators. IDA investment lending operations approved after July 1, 2009 are expected to capture the data on the total number of direct beneficiaries, disaggregated by gender (direct beneficiaries (number) of which female (percentage)). The health sector has defined two gender-based core sector indicators:

- Number of pregnant women receiving antenatal care during a visit to a health provider; and
- Number of pregnant women living with HIV who received antiretrovirals.

Note that beneficiary indicators for all IDA investment operations in the education, health and water sectors will be sex-disaggregated, and that other sectors are also defining Core Sector Indicators for gender coverage.²⁰

- During the IDA16 replenishment period, IDA management will also track four indicators to measure IDA's support to gender-based country outcomes.
 - Percentage of IDA CASs informed by country-specific gender diagnostics.
 - Percentage of safety nets projects with gender-informed design, monitoring and evaluation to mitigate risk and vulnerability for women and girls.
 - Percentage-increase target (set by the World Bank Sector) in agriculture and rural development operations with gender-informed design, monitoring and evaluation.
 - Percentage of health projects that address high fertility, maternal mortality and high adolescent fertility.

²⁰ The Social Development Network (SDN) has defined more extensive sets of sector-specific targets and indicators for gender-coverage. SDN will screen all IDA16 projects to determine whether any sex-differentiated impact is expected. For most operations gender analysis will be part of the social assessment which will provide the basis for gender-responsive design. Gender-responsive design may not be warranted when the project has minimal engagement with citizens (e.g. the replacement of electricity generation equipment). The project documents would indicate whether gender analysis has taken place and, if a gender-responsive design has been found to be warranted, will report on this analysis.

- **Intensify Capacity-Building Efforts.** IDA will intensify capacity building of staff and country counterparts by scaling-up innovative models of capacity building developed under the GAP and continuing to enable ‘Learning-by-Doing.’ Internally, support will be given to sectors for rolling out gender-informed results frameworks and for disseminating new reporting requirements and related guidance. Sector-specific technical assistance will be offered on building new indicators into project monitoring and evaluation systems. IDA will also encourage South-South dialogue and extend capacity building efforts to civil society in client countries.

IV. CLIMATE CHANGE

A. Climate Change and Development

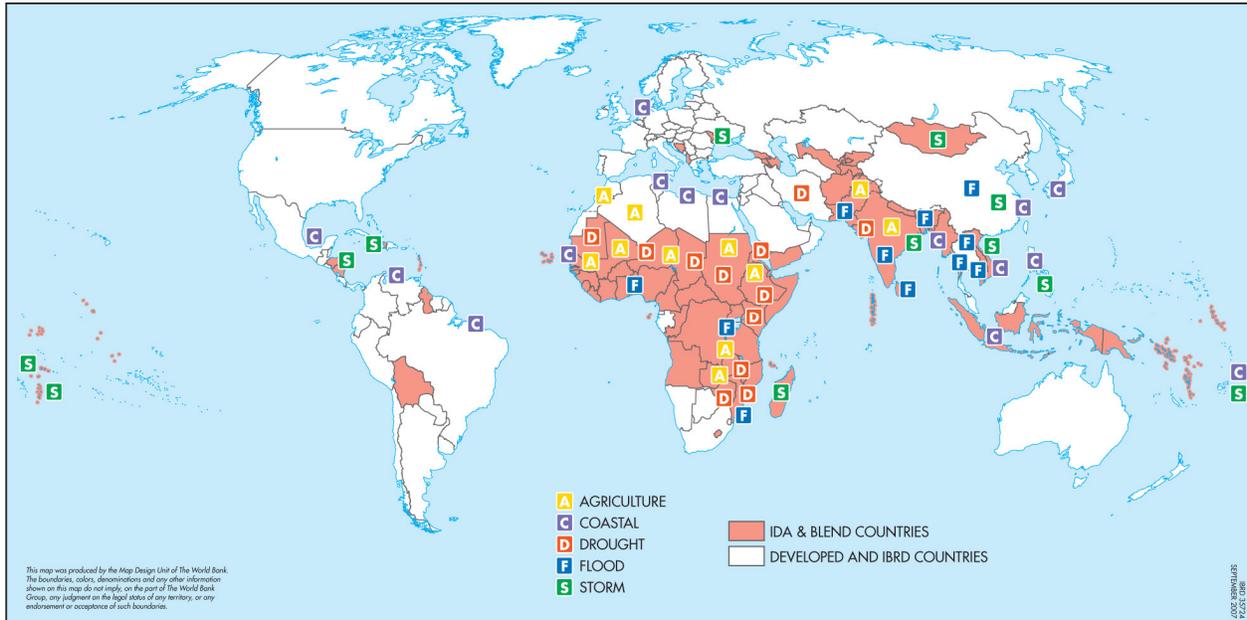
29. **Climate change presents an urgent challenge to the well-being of all countries and particularly to the poorest countries and the poorest people within them.** Even if efforts to reduce greenhouse gas (GHG) emissions are successful, it is no longer possible to avoid some degree of impact from climate change. The primary direct effects of climate change are an increase in droughts and floods, more seasonal peaks in river flow, and a higher probability of stronger tropical storms. The poorest countries and communities are likely to suffer the most because of their geographical location, low incomes, and low institutional capacity, as well as their greater reliance on climate-sensitive sectors like agriculture

30. **Climate change is increasing the challenge of achieving the MDGs.** Figure 1 shows the regional distribution of climate change risks across IDA countries.²¹ Sub-Saharan African countries dominate the list of the most drought-affected and suffer the largest negative impacts on agricultural productivity. South and Southeast Asia are disproportionately flood-affected, while storms have their greatest effects in the hurricane belt of the Pacific and Indian Oceans. The challenge is now becoming not just one of attaining development goals by a certain date, but of creating the economic fabric that will make these goals sustainable in the face of coming climate uncertainties. The WDR 2010 argues that a ‘climate-smart’ world is feasible, and the costs for getting there will be high but still manageable.²²

²¹ The overall risk of damage or losses is determined by the nature, intensity and frequency of the hazard, (e.g. the frequency of flood of a certain level), the exposure to the hazard (e.g. the number of people living on a flood plain), and the vulnerability to the hazard (i.e. the conditions determined by physical, social, economic and environmental factors or processes, which increase the susceptibility of a community to the impact of hazards). More information on definitions and data sources can be found in the paper “IDA and Climate Change: Making Climate Action Work for Development” IDA, 2007.

²² See “*World Development Report 2010: Development and Climate Change*” World Bank, 2010.

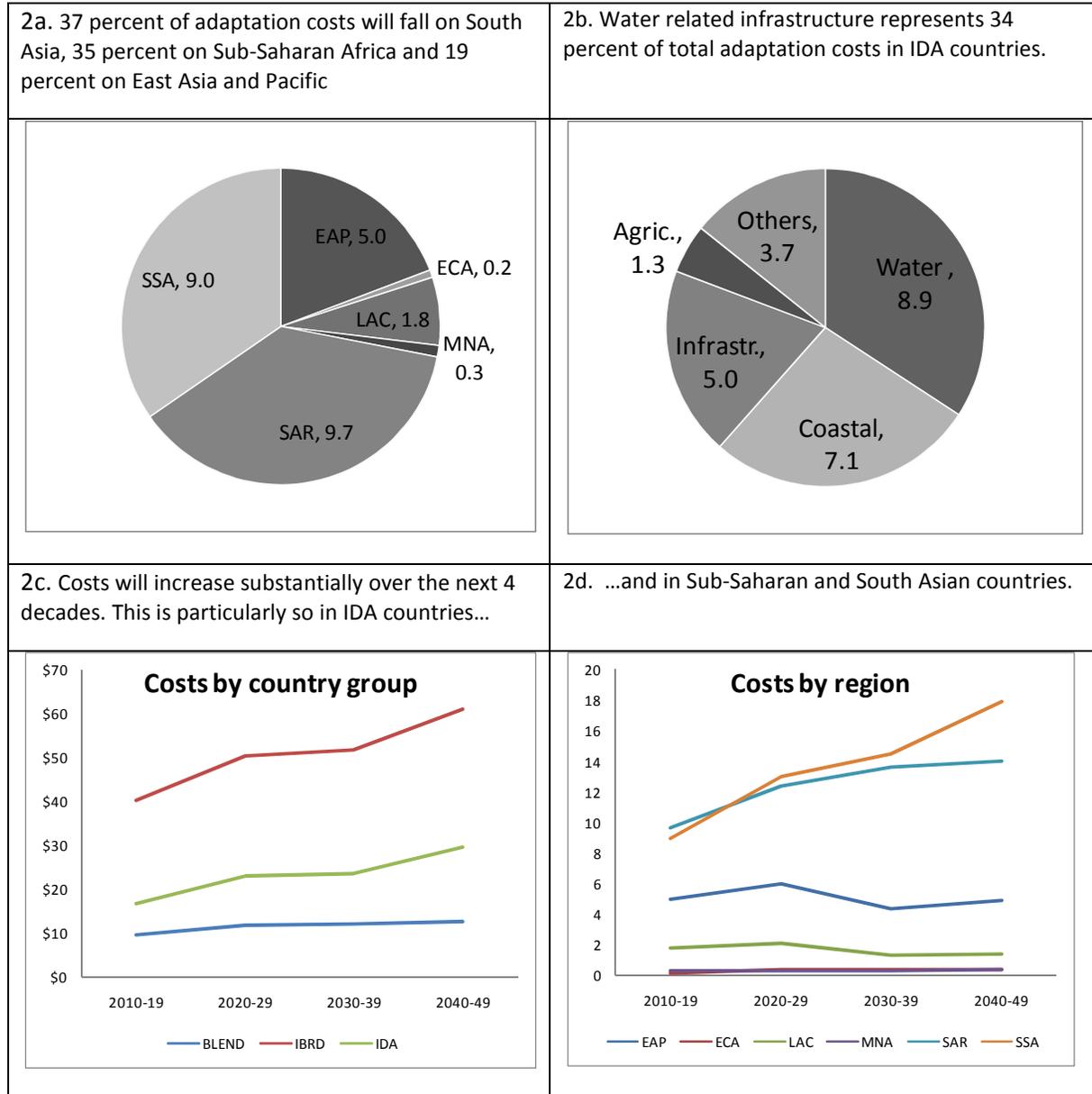
Figure 1. Distribution of World Climate Risks



31. **Costs of adapting to a changing climate will increase over time.** The Economics of Adaptation to Climate Change study (EACC) estimates that the cost for currently IDA-eligible (including blend) countries will be around US\$24-26 billion per year over the next ten years (see Annex 2 for details).²³ Costs will increase over time: EACC estimates that costs will rise to US\$40 billion by 2050. The steepest increases will take place in Sub-Saharan Africa (over a twofold increase) (Figure 2).

²³ See “Economics of Adaptation to Climate Change: Global Study”, World Bank, 2009.

Figure 2. Cost of Adaptation in IDA countries (in US\$ billions at 2005 prices)



32. **Meeting the climate challenge involves the support of appropriate policies and institutions.** This includes policies that combine the objectives of increasing energy access and low carbon growth, and policies that support resilience such as promoting agricultural productivity and efficiency of water use.

33. **Climate resilient development entails scaling up investments in climate sensitive sectors, but it also means acting differently.**²⁴ The WDR 2010 stresses the need to build the capacity of decision makers to ‘act differently’ in the use of climate information and uncertainty

²⁴ ‘Climate resilience’ focuses on strengthening the capacity of a country to implement policies and strategies that take into account climate impacts and risks.

about its impacts. Climate change adds an additional source of unknowns for decision makers to manage. Urban planners in coastal cities, for example, need to anticipate demographic developments and new risks from rising seas, intrusion of salt water into coastal water supply aquifers and coastal flooding. Cropping strategies need to be adapted, for example by shifting to drought tolerant seed stocks to maintain long-term consistency in output rather than to maximize production. The seven case studies considered in the EACC study (all of which are IDA and IDA-blend countries) show that development that is climate resilient entails responsive institutions, good governance, access to services, social protection, secure land tenure, strong infrastructure, early warning systems and inclusion of women in decision making. The Bolivia study highlights the importance of improving the efficiency of capturing and regulating water from melting glaciers, while the Bangladesh case study indicates the importance of flood protection measures. The Bolivia, Ethiopia and Ghana case studies show that irrigation infrastructure investments are more effective when they are coupled with integrated watershed management and strengthened water user associations, access to credit and provision of other input services.

34. **Despite uncertainties in climate change, it is clear that acting now against climate risks is becoming increasingly important.** The possibility of high downside impacts of climate change in the future justifies the financing of investments that would have normally occurred later in time. For example, in Mozambique the generation capacity from hydropower must be adjusted to adapt to potential reduced stream flows due to climate change. In Bangladesh, the cost of increasing the height and reinforcing embankments and dykes in coastal areas is small compared to the expected damages. In Bolivia, it is becoming necessary to put in place planned construction of dams to capture and regulate water runoff from melting of glaciers. The EACC also shows that, in the short term, risk preparedness is a priority. The greatest concern is the changing pattern and increased intensity of extreme weather events – especially in coastal cities and floodplains with large poor populations, and in distant rural areas with natural resource dependent communities. In Bangladesh, damages from extreme weather events can be significantly reduced through early warning systems, the provision of timely and targeted information and pre-positioning of staff and resources, as well as decentralized relief and recovery operations.

B. IDA's Achievements to Date

35. **Climate change is a relatively new topic in IDA replenishment discussions, but IDA has already made substantial contributions.** During the IDA15 period, IDA has contributed to knowledge creation on climate change, provided core development finance and served as a platform for leveraging additional resources. The capacity to combine these three functions is unique to IDA and can be scaled up during IDA16 and IDA's country strategies are the ideal starting point of this endeavor. In FY09, there were a total of 16 CAS documents for IDA countries. Of these, 8 integrated climate change issues; the comparable numbers for FY10 is 4 out of 7. IDA has also begun to use Development Policy Operations (DPOs) to build resilience into national budgets and this effort should also be scaled up substantially.

36. **Progress on financing and knowledge creation on climate change and development is also strong.** IDA is already a major source of financing for climate resilient development. IDA financing to climate-affected sectors such as agriculture, flood protection, water supply and

health reached US\$3.3 billion in FY09, a 17 percent increase over average annual investments in those sectors during IDA14. Financing for renewable energy and energy efficiency, a key win-win area for mitigation and development, hit an all-time high with a nearly threefold increase from the IDA14 average. In terms of knowledge creation, IDA has increased analytical and capacity-building activities in sectors vulnerable to climate change stresses. Other broader examples of knowledge work include the Economics of Adaptation Study and the 2010 WDR on Climate Change and Development. These studies have been important in filling knowledge gaps and integrating climate risks into development initiatives, and in answering a number of important strategic questions with respect to mitigation. At the strategy level, the past few years saw the preparation of the Strategic Framework on Development and Climate Change (SFDCC) for the Bank Group and the preparation of the Climate Change Strategy for Sub-Saharan Africa. These efforts have helped bring the needs of IDA countries into the climate change debate.

C. Achieving Climate Resilient Development in IDA16

37. **IDA will continue its dual role during IDA16.** While a climate change financing platform is agreed upon at the level of the United Nations Framework Convention on Climate Change (UNFCCC), IDA can continue providing both (i) core development finance for growth and poverty reduction and (ii) serving as a development platform able to leverage interim specialized funds for climate change adaptation and mitigation. This will serve several climate-related goals, including:

- **Strengthen core development to make economies and societies more robust in confronting climate change:** IDA will complement other donor resources and domestic budgets, and address basic development needs. Areas of intervention include capacity building, governance, education, health, and income-generation programs.
- **Make development investments more climate-resilient:** IDA will ensure that its projects are designed to withstand uncertainties in future climate. Project design in most sectors will need to be adjusted, such as in agriculture and rural development, transport, water, and energy. In general, costs will rise.
- **Complement climate-related financing:** Climate-related funding will build infrastructure and capacity to help countries adapt to climate-related threats, and mitigate global climate change. IDA financing will dovetail with such focused funding, and in the process improve the impact of the total financing package. IDA's support will help countries deal with the challenge of absorbing large amounts of additional climate-related financial flows.
- **Build knowledge of climate change challenges and improve monitoring of climate-related assistance:** IDA's strength is its ability to take a holistic view of development in poor countries, including monitoring official development assistance (ODA) and its effects on the ground. IDA is preparing a coherent monitoring platform for climate investments to bring greater coherence to climate-related finance and ODA.
- **Facilitate the creation of markets and encourage private sector development:** Sectors in which private sector investments can provide substantial finance include low carbon energy, sustainable forestry and climate hazard insurance. Carbon finance can provide additional private sector resources for climate mitigation projects.

38. **IDA's core development finance for growth and poverty reduction can help reduce the impact of climate change** by reducing for example the number of people killed in developing countries from extreme events. In Bangladesh, with expected income increases the share of rural coastal residents living in cyclone-resistant housing is expected to increase from the current 3 percent to nearly 100 percent by 2050. These results can be accelerated through IDA. Development also makes IDA countries less reliant on climate-sensitive sectors. Agriculture in Mozambique is expected to account for 15 percent of GDP by 2050, about half of what it currently is.

39. **Climate proofing development projects is unavoidable.**²⁵ IDA financing cannot shy away from the imperative of financing projects that are the most appropriate given the climate challenges. Climate change will inevitably increase the need for infrastructure that adequately reflects new extremes. In addition, risk considerations will need to be taken into account in project choice and design. This will result in projects that – in order to provide the same development benefits – will require more inputs and finance. Based on the findings of the EACC study, Bank staff has estimated that climate proofing costs of around 6 percent of the total value of IDA investment projects (approximately US\$800-900 million) per year will be incurred. Given that these costs are embedded within development projects, the higher replenishment scenarios seek to capture these incremental costs.²⁶ During IDA16, IDA will ensure that its projects are designed to withstand uncertainties in future climate. Project design in most sectors will need to be adjusted, such as in agriculture and rural development, transport, water and energy.

40. **Climate resilience activities will be supported by IDA both through financing and through exercising its platform role for enhancing overall development effectiveness.**²⁷ This mandate is consistent with the Pilot Program for Climate Resilience (PPCR) through which IDA recipients are helped to build resilience into their development programs.

41. **In addition to providing core funding, IDA continues to play a crucial integrating role in leveraging additional development funds and in providing a comprehensive development platform for its clients.** During IDA15, IDA has worked with other donors in designing and implementing new (and additional) financing mechanisms for climate actions as well as in coordinating with other donors in implementing climate actions in IDA countries.²⁸ Furthermore, IDA's development platform provides a powerful way to combine climate finance and country development priorities. To be effective, it is essential that climate financing build on the core sustainable economic growth and poverty reduction efforts of development institutions. From an administrative point of view, special funds typically complement existing

²⁵ 'Climate proofing', while related to the idea of building 'climate resilience', focuses more narrowly on individual projects, and in incorporating the impact of climate change in project design.

²⁶ It should be noted that not all climate proofing costs are incremental since IDA15 resources already included some funds for climate action.

²⁷ IDA comparative advantages in the development world include its multi-sectoral perspective, its leveraging power, its convening power and local presence.

²⁸ Most recently, the Copenhagen Accord outlined two significant funding commitments from developed countries to the developing world, that together finance adaptation, forest loss prevention (REDD+), technology development and transfer, and more. Donors committed to an upfront "fast start" investment of US\$30 billion over three years. For the longer term, there is a long-term commitment of US\$100 billion per year by 2020.

financial mechanisms and their operations are coordinated with the programs of other financial institutions such as IDA.

42. **IDA countries have a major opportunity during the IDA16 period given the entry in full force of the portion of Climate Investment Funds (CIFs) relevant for them.** Nine IDA countries – Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia – and two regions (Caribbean and South Pacific) have been selected to participate in the PPCR, which currently has an envelope of US\$967 million (see Annex 3). Scoping and joint missions by multilateral development banks (MDBs) have taken place in Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Tajikistan and Yemen, and Nepal and Zambia have already received PPCR commitments. In addition, IDA countries are in the process of submitting expressions of interest to the Program for Scaling-Up Renewable Energy in Low Income Countries (SREP), which has a current envelope of US\$292 million. Furthermore, Burkina Faso, Ghana and Lao PDR were selected as pilot countries for the Forest Investment Program (FIP), which has a current envelope of US\$558 million. Finally, the Clean Technology Fund (CTF) investment plan for Vietnam proposes co-financing of US\$250 million to support the country's climate related goals.²⁹

43. **IDA can leverage financing for adaptation and mitigation through the Global Environment Facility (GEF) and Carbon Funds.** IDA is also helping countries access the GEF; for example, the African Rift Geothermal Energy Development Program (ARGeo) offers insurance against the risk of geological exploration through a Risk Mitigation Fund financed by US\$13 million from GEF and administered by the Bank. Projects are currently under preparation in Djibouti, Eritrea, Ethiopia, Kenya, Tanzania and Uganda. IDA can also help leverage resources from Bank-managed carbon funds or other sources, through co-financing in low-carbon energy, energy efficiency, agriculture and forestry, or sustainable urban development.

44. **The private sector is a key part of achieving long term climate resilient development.** IDA counts on a range of instruments to achieve this. For example, a US\$400 million IDA Partial Risk Guarantee (PRG) along with a US\$200 million IDA credit for the Nigeria Electricity and Gas Improvement Project (NEGIP) is helping reduce GHG emissions through substitution of captive generation with cleaner grid-based generation. The PRG mitigates the risk of default on the payment obligations of governments or public entities. IDA clients are becoming increasingly important to IFC business. IFC has launched the Global Index Insurance Facility (GIIF) with backing from the European Commission and The Netherlands to help farmers, e.g., in Sub-Saharan Africa insure against catastrophic weather.

45. **Challenges going forward.** To 'fast start' the Copenhagen Accord, developed countries committed, collectively, "to provide new and additional resources, including forestry and investments through international institutions, approaching US\$30 billion for the period 2010-2012 with balanced allocation between adaptation and mitigation." At this stage, the detailed modalities for the use of these funds are still being worked out. This is both an opportunity and a challenge for IDA going forward. It is an opportunity because its mandate for poverty reduction

²⁹ The CTF's total envelope is US\$4.4 billion. Vietnam is the only IDA recipient that is receiving funds under the program.

naturally places IDA in a leading role in implementing innovative and effective ways to address climate resilience. It is a challenge in that utilizing 'fast start' funds would require the ability to link such funds to their use, which is difficult at present given IDA's non-earmarking policy. Furthermore, to provide the resources only on grant terms is made difficult by the fact that IDA allocates grants on the basis of debt sustainability and not on the basis of climate change vulnerability. Management will continue to consult with IDA Deputies on these issues during IDA16.

D. Monitoring

46. **IDA is learning important lessons on how to strengthen the monitoring of climate resilient investments.** Monitoring financial flows for climate action can be a challenge, particularly if interventions are built into core development efforts. The IDA15 MTR highlighted work towards a comprehensive monitoring effort of the World Bank Group's climate change actions, including that of IDA. In line with the Bank's mandate as a development institution and the role of existing ODA vehicles, the immediate focus is on monitoring the mitigation and adaptation co-benefits of development assistance. IDA16 will be able to take advantage of much of the work done in this area over the recent months. In parallel, the Bank is working together with the other MDBs as part of the CIF implementation to develop a monitoring and results framework for the new and additional financing provided under the CIFs for dedicated climate action. In the context of IDA16, two issues are worth considering: the OECD-DAC work on adaptation markers and the WBG's SFDC work on monitoring.

47. **Under the umbrella of OECD-DAC, a definition has been agreed upon for the purposes of monitoring adaptation-related financial assistance.** The OECD-DAC Rio Marker system allows every aid activity reported to the Rio Conventions Creditor Reporting System (CRS) to be screened and marked as either (i) targeting the Conventions as a 'principal objective' or a 'significant objective', or (ii) not targeting the objective. A Rio Marker for adaptation³⁰ has been included in the system of policy markers, effective from 2010 (figures to be reported in 2011). The Bank has been cooperating closely with OECD-DAC to develop an adaptation marker and has synchronized this with its own efforts to improve monitoring and reporting of investments with climate change-related benefits, as discussed below.

48. **As part of the SFDC monitoring effort, the WBG is expanding its core corporate project coding system to track investments with mitigation and adaptation co-benefits.** The existing Bank system classifies all projects according to sectors and sub-sectors so that the commitment of each project is recorded against its relevant sub-sectors. The enhanced system will add recording options to track the percentage (if any) of the investments in each project sector that have adaptation and/or mitigation co-benefits. The system will allow for more precise monitoring of the financing that is allocated to climate-related interventions at the sub-project level.³¹ This is a refinement of the Rio Marker system. The enhanced Bank coding system is

³⁰ The Rio Marker for mitigation already existed.

³¹ In order to assist with the coding of projects, a short guidance note has been prepared, indicating what sort of activities should be considered as contributing to adaptation co-benefits. A similar note is being prepared for the relevant sectors with regard to mitigation co-benefits. The definition of adaptation adopted is almost identical to the one adopted by OECD-DAC.

currently being tested and fine-tuned. The process of Bank-wide introduction is expected to commence later in the next fiscal year.

E. Key Commitments for IDA16

49. **IDA is in a position to make substantial progress in climate resilient development during IDA16.** It can do so by integrating knowledge, strategic work, investment and policy support and by leveraging finance from other sources. A number of concrete areas and indicators of progress are identified below.

- Build climate resilience and capture mitigation opportunities in core development:
 - continue producing Analytic and Advisory Activities (AAA) products on adaptation and mitigation as in IDA15.
 - CASs for vulnerable IDA countries to integrate climate change issues in IDA16, including consideration of the impact of climate change on poor and vulnerable groups.
- Maximize the leveraging of specialized funds for climate change:
 - systematically monitor IDA leverage of special climate change funds.
- Monitoring:
 - begin implementation of adaptation and mitigation investment coding in IDA portfolio.
 - by end of IDA16, establish a benchmark (as percentage of total IDA investments) for the amount of investment in mitigation and adaptation.

V. FRAGILE AND CONFLICT AFFECTED COUNTRIES

50. **Fragile and conflict-affected countries (FCCs) account disproportionately for gaps in achieving the MDGs.** In addition, political instability and armed violence in these countries can not only inhibit development in neighboring countries, but can also lead to refugees, cross-border crime, human trafficking, illicit trade (e.g., in narcotics and arms) and terrorism with regional and potentially global impacts. IDA's support in FCCs pursues goals of peace-building and state-building which are not well-captured by the MDGs or by country performance as measured by the Bank's Country Policy and Institutional Assessment (CPIA).

51. **IDA's operational and financial approach to address the specific challenges of FCCs has evolved and expanded over the last decade.** Successive IDA replenishments have included provisions designed to respond to the needs of these countries. In terms of resources, eligible post-conflict and re-engaging countries receive exceptional allocations from IDA, and some have also benefited from exceptional pre-arrears clearance grants and allocations to help clear arrears. Furthermore, FCCs have also benefited significantly from IDA's policies on debt relief (through the HIPC and MDRI initiatives) and from grants allocated through IDA's grant

allocation framework.³² IDA has also enhanced its institutional capacity to provide rapid, effective and coordinated assistance to FCCs. IDA has pursued extensive efforts in terms of increasing the presence of staffing in fragile countries, initiating operational reforms to improve and speed up project preparation, strengthening analytical work to improve understanding of structural and country-specific factors that contribute to fragility, and forging partnerships with international actors on strategic and operational planning and implementation in these countries.³³

52. Further efforts are needed to better understand the causes and implications of fragility and to adapt IDA's policies and instruments accordingly. During the IDA16 period, the Bank will both deepen the implementation of reforms introduced over the past few years, notably in the areas of: (i) research, knowledge and learning; (ii) improving partnerships and aid coordination; (iii) increasing the effectiveness of multi-donor trust funds (MDTFs); (iv) decentralization of staffing and decision-making authority; and (v) compliance with fiduciary principles. The Bank will also incorporate the lessons of high-profile knowledge products into its procedures and operational work. Most notable in this regard is the WDR for 2011, which is focused on conflict, security and development challenges in FCCs. This report will be completed by the end of 2010, and its findings will feed into the revision of the current Operational Policy (OP) 2.30 on Development Cooperation and Conflict, which is planned to be completed by the end of 2011. The WDR will also inform work to strengthen IDA's resource allocation to FCCs, which could be tabled at the IDA16 MTR. Future policy discussions on FCCs will also benefit from a planned evaluation by IEG of the Bank's work in FCCs, which is planned for 2012- 2013. The remainder of this section sets out recommendations for further strengthening IDA's policy, financial and operational effectiveness and monitoring and reporting on progress in FCCs during the IDA16 period.³⁴

A. Research, Knowledge, and Learning

53. Drawing out the implications of WDR findings for operational activities and future analytical work will be central components of the research, knowledge, and learning agenda for FCCs during the IDA16 period. Initial findings from the WDR include the following: (i) countries facing situations of conflict and fragility are experiencing repeated and interlinked violence that crosses borders; (ii) severe external and internal stresses burden countries with low capability to respond; and (iii) FCCs face a deficit in international support that is coherent, flexible, and well-targeted.

54. These findings could have implications for future support to FCCs by the international community and IDA, including:

³² Specific proposals regarding resource allocation are addressed in the accompanying paper on IDA's Performance-Based Allocation system. See "IDA's Performance Based Allocation System: Review of the Current System and Key Issues for IDA16", May 2010.

³³ For further details see: "IDA's Support to Fragile and Conflict-Affected Countries: Progress Report 2007-2009", November 2009.

³⁴ Proposals for further improvements in the IDA financial allocation mechanism for FCCs are discussed in a separate paper: "IDA's Performance Based Allocation System: Review of the Current System and Key Issues for IDA16", IDA16 policy paper, May 2010.

- **Applying new approaches for conflict prevention and regional action**, notably by increasing support to undertake difficult reform processes, improving linkages between political, security and economic assistance in response to rapid shifts in country priorities and new conflict risks, and supporting innovative regional initiatives with cross-border benefits;
- **Investing in under-resourced sectors**, notably by targeting assistance to fill gaps, e.g., in the justice sector, promoting public-private partnerships for job creation, and reaching insecure areas, including with investments in agriculture;
- **Coordinating strategy and improving the performance of aid** in terms of new processes for coordination between political, security and development actors, speed, duration and predictability;
- **Monitoring success** through simple global measures of actual levels of violence and popular perceptions of progress toward stability and institutional strengthening. This would allow the international community to track progress, alongside the MDGs, which do not measure progress against the special challenges faced by FCCs.

55. **WDR findings could also have implications for IDA's operational and financial support to FCCs.** Two issues addressed in the WDR – on regional programs and the time taken to make progress on security and state-building after conflicts – are already reflected in the paper presented to IDA Deputies on IDA's performance based allocation system (PBA). WDR research also indicate the following: first, that reforms aimed at reducing the long-term risk of conflict can increase the risk of conflict in the short term (for instance as countries move from authoritarian to democratic rule or from highly corrupt to more transparent systems). Targeted support to countries that have identified sources of potential conflict risk and are taking on a sensible and sequenced turnaround program of difficult reforms could help mitigate such risks. This in turn could decrease the risk of violence and help avoid the reversal of development gains and the enormous costs of wars. Second, in FCCs where volatile governance and increased fragility is leading to smaller IDA allocations, IDA may miss opportunities to preserve human and institutional capital as well as development gains. These in turn may affect the prospects for a future return to better performance. In such situations, IDA might consider both limiting the reduction of IDA resources and changing the modality of its support to focus on maintaining human, institutional, and social capital, targeted capacity development, and governance improvement programs. Third, a simplification of the framework for allocating IDA resources to FCCs may be desirable in order to enhance IDA's ability to respond effectively to the different needs and circumstances of FCCs. IDA could for instance consider the possibility of moving towards a simplified financing mechanism for FCCs, either by merging the current post-conflict and re-engagement allocation categories, or through a streamlined resource allocation mechanism for all FCCs. These issues will be further explored in light of the ongoing work on the WDR and, if warranted, will be developed based on a comprehensive assessment into specific proposals for consideration by the IDA Deputies at the IDA16 MTR. Meanwhile, financing for activities described above will be considered on a pilot basis through the State and Peace Building Fund in order to address issues of prevention of conflict.

B. Improving Partnerships and Aid Coordination

56. Special efforts are needed to improve the effectiveness of fragmented, short-term focused, and costly aid in FCCs. During the IDA16 period, there is scope to improve overall aid effectiveness to FCCs and to enhance IDA's platform role and catalytic impact. Several principles can guide intensified efforts to improve aid effectiveness: (i) the support of the international community to FCCs should be focused on results in terms of development, peace-building and state-building and the avoidance of doing harm to meeting these objectives; (ii) the country context must inform the work of the Bank and other partners, which means that a mechanical division of labor needs to be avoided and decisions should be delegated to where the best information is available, and at the lowest level for optimal targeting of human, technical and financial resources; (iii) true partnership is vital, most importantly with IDA's partner countries but also within the international community, and the views of the partner-country governments on the respective roles of the different international actors should be respected; and (iv) ownership and accountability are at the heart of aid effectiveness, which calls for strengthening and supporting country systems, to the extent possible, and avoiding parallel aid and service delivery mechanisms that may undermine the country's attempt to build a well-functioning state and move out of fragility and/or conflict.

57. The United Nations (UN) and the Bank are working together to better leverage their respective strengths. The Bank actively participates in a number of UN strategic dialogues and forums, including the Peace Building Commission, the Senior Peace Building Group and the Policy Committee of the UN. The Bank and the UN have also formalized partnership agreements such as the Fiduciary Principles Accord and the Operational Annex.³⁵ New mechanisms for country-specific strategic dialogue are being explored, and strengthening this collaboration at the country level in FCCs is a priority.³⁶

58. In line with IDA's efforts to further deepen collaboration with other agencies, IDA management will include existing partnership agreements in the revision of the current Bank Operational Policy on Development Cooperation and Conflict (OP/BP 2.30). The revised policy will be completed by the end of calendar year 2011.

C. Increasing the Effectiveness of Multi-Donor Trust Funds

59. Multi-Donor Trust Funds (MDTFs) managed by the Bank have become an increasingly important financing source for FCCs. MDTFs allow FCCs to gain access to pooled grant funds, contribute to (re)building the state, and achieve synergies with IDA's core products and services. MDTFs also provide a platform for enhanced aid effectiveness through stronger country ownership, increased use of country systems, greater transparency and accountability, and more harmonized and coherent donor engagement. Commitments from

³⁵ Under the Fiduciary Principles Accord, any of the 11 signatories may apply its own policies and procedures instead of those of the trust fund administrator, which facilitates timely disbursement of financial resources. FPAs apply to multi-donor trust funds. The Operational Annex commits both institutions to strengthen their collaboration in particular on Post-Conflict Needs Assessments and MDTFs.

³⁶ The Swiss government is providing financial support for joint work in FCCs among a number of UN agencies/entities and the Bank, including through staff exchanges.

MDTFs reached nearly US\$1.4 billion in FY09, which is virtually equivalent to total IDA commitments to FCCs.³⁷ By all indications MDTFs will continue to be used for coordinated and pooled financing of budgets, development programs and projects in FCCs.

60. Several challenges need to be addressed to enhance the effectiveness of MDTFs as a strategic instrument in the international community's overall assistance to FCCs. First, MDTF mandates tend to be broad, with donors expecting the program to respond to sometimes conflicting needs for quick delivery on the one hand and sustainability and capacity development on the other. The Bank may be perceived as doing well in meeting longer-term needs, but not necessarily in delivering more immediate needs. MDTFs thus require a degree of risk tolerance to deliver early returns that often are demanded by donors. Adaptability and effective response to lessons from experience are important; cases like the Afghanistan Reconstruction Trust Fund demonstrate that the Bank can handle such challenges to the satisfaction of stakeholders. Second, given the multiplicity of actors and the dynamics and complexities of their interactions, MDTFs face challenges in managing inclusively, and communicating and sharing knowledge continuously. Finally, the higher costs of delivery in FCCs are not always reflected in administrative budgets (IDA often covers gaps in funding the administrative needs of MDTFs), and the work of Bank staff in administering and supporting MDTFs needs to be better mainstreamed.

61. Addressing these challenges requires changes to organizational, financial, and human resource aspects of MDTF management. Already, some actions have been initiated under the Bank's Trust Fund Management Framework, but they will be expanded and further implemented during the IDA16 period in order to fully mainstream MDTFs for FCCs in the Bank's core business. The main focus will be on ensuring consistent treatment of trust funds with IDA/IBRD instruments in terms of management attention, budget provision, supervision, and evaluation, appropriate to the urgency for results, institutional environment and risks in FCCs. Management proposes to report on progress made on this issue at the IDA16 MTR.

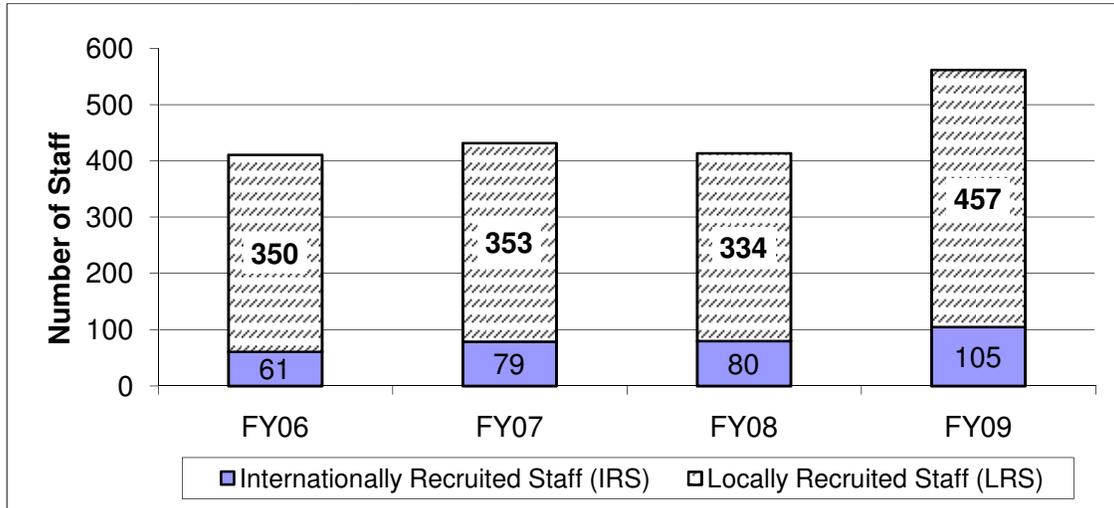
D. Enhancing IDA's Effectiveness through Staffing and Decentralization Initiatives

62. IDA has already made considerable progress on the decentralization of staff to FCCs. Between FY06 and FY09, the total number of internationally recruited Bank staff in FCCs increased from 61 to 105 while locally recruited staff increased from 350 to 457 (see Figure 3). Furthermore, IDA has country offices in virtually all FCCs, except two inactive countries (Myanmar and Somalia), Djibouti and a few small island states. To recognize the difficult work environments in these locations and attract experienced and skilled staff, the overseas assignment benefit package for assignments in FCCs was increased to include an FCC premium, approved by the Board in May 2008. A broad range of non-financial incentives and flexible options was also introduced: consistent grading of all country manager positions at level GH; revision of the promotion criteria for technical GH positions to recognize the value of

³⁷ Figures for MDTFs include commitments to single-country MDTFs in FCCs. These figures do not fully capture the extent of MDTF support to FCCs, since large amounts have been provided through trust funds supporting government recurrent and capital expenditures. Examples include the Afghanistan Reconstruction Trust Fund (ARTF) and the Emergency Services Support Project Trust Fund (ESSP). The ARTF alone has financed approximately US\$2 billion in recurrent costs since 2002.

operational work in FCCs; enhanced flexibility for shorter field assignment periods; and a strengthened rotation management system for staff returning from country office assignments.

Figure 3. IDA Staffing in Fragile and Conflict-Affected Countries, FY2006-09



Source: World Bank Human Resources VPU.

63. **Efforts continue to attract experienced staff, to decentralize decision making in FCCs, and get the right balance of skills.** In April 2010, Human Resources convened the first of a series of quarterly meetings of Operations Directors from Networks and Regions to review re-entry plans for staff in FCCs so they have specifics on their next assignment and work program six months in advance of their return. Lack of clarity on next assignments is one of the principal factors cited by staff as a deterrent to taking up field positions, especially in FCCs. Efforts are also being made to reflect work in FCCs more adequately in staff performance appraisals. The issue of dual career families continues to pose significant challenges and efforts are being made to link up with other agencies and service providers to support spouses/partners more effectively.

64. **While these measures take effect, IDA is also pursuing broader organizational changes aimed at strengthening IDA's work in FCCs.** Effective July 1, 2010, the Africa Region, which covers 16 of 26 FCCs, will reconfigure its country departments and increase their number from 11 to 15. This will allow country directors and teams to focus greater attention on the needs of FCCs. Furthermore, the Bank is establishing in the Africa Region a Director-level Hub for fragile countries. It is expected that these measures will result in a further increase in field presence and decentralization of decision making in FCCs during IDA16.

65. **Lastly, IDA will build on the success of the Global Expert Team (GET) for Fragility and Conflict.** In addition to the callable roster of staff for short-term assignments on fragility and conflict (described in the IDA15 MTR paper on FCCs), the FCC GET, which is now in its second year of operation, has provided strategic support to a number of FCC country teams including among others the Democratic Republic of Congo, Zimbabwe and Pakistan.³⁸

³⁸ Moreover, to catalyze innovation and sharpen operational effectiveness a four-day core learning course on FCCs for Bank staff and external participants from multilateral and bilateral agencies has been designed and has been regularly delivered since 2008. To date, over 254 people have been trained, including Bank staff and

E. Compliance with Fiduciary Principles: Balance of Risks and Speed in Implementation

66. **The recently approved Framework for Rapid Response to Crises and Emergencies has resulted in faster *preparation* of emergency operations, but has yet to yield comparable improvements in the speed of *implementation*.**³⁹ More recently, the Bank has committed to reducing the number of projects (prepared under OP 8.0) with disbursement delays from 35 percent (end FY09) to 25 percent by end of FY11, as laid out in the Results Framework of the Post-Crisis Directions paper for the WBG. Both external and internal factors continue to hinder implementation performance in FCCs. These include limited capacity of client governments, limited Bank resources, and continuing challenges with Bank processing and fiduciary issues. Despite simplified procurement arrangements and the use of single sourcing, shopping, reduced bid times and the elimination of bid securities, slow procurement has been one of the problems (in addition to limited capacity of implementing agencies and markets) in situations where speed and flexibility are crucial.

67. **There are three sets of challenges to more effective utilization of Bank procurement policies:** (i) country challenges; (ii) challenges related to the nature of the guidelines; and (iii) internal Bank practices. FCCs are typically characterized by lack of procurement legislation; low institutional capacity in procurement practices; lack of experience with rules-based systems; lack of information on the size, composition, and strength of markets; and limitations of access which limit the potential for a fast and competitive procurement process. Underdeveloped banking systems, weak governance environments, and security risks present further challenges. As a result, the Bank's procurement policy is key to mitigating fiduciary risks, and the tools employed in this respect inevitably result in longer procurement processes. Under the Bank's procurement guidelines, it is expected that open competition will ensure efficient procurement, economy, efficiency, fairness and transparency; however, these principles are based on the assumption that firms have reasonable access to information, capacity, and security that are often not available in fragile countries. The limited number of accredited Bank procurement staff in country offices and the turn-over of task team leaders have in the past also impeded speedy implementation.

68. **The Bank has already simplified procurement guidelines for FCCs including through the use of simplified technical proposals for low-risk, low-value contracts; simplifying the short-listing process; and increasing thresholds for prior review.** The Bank's Procurement and Consultant Guidelines have been further revised and will be submitted to the Board in September 2010. These revisions, among other issues, reflect the harmonization of procurement policies and procedures with those of MDBs and will include the provision of Framework Agreements as another method of procurement to facilitate speedier implementation. Other areas where the Bank will pursue efforts for improving performance include establishing strong integrated task teams with early involvement of seasoned procurement staff who can conceive adequate project designs at an early stage; mitigating the risks of high turnover of seasoned staff through better succession planning; early assessment of market conditions,

³⁹ external participants from the AfDB, Arab Fund, ASEAN, AusAID, DfID, Danida, the Islamic Development Bank, IFC, Kuwait Fund, NATO, Norad, OECD, Organization of the Islamic Conference, UN departments and agencies, etc. This learning program will be continued during IDA16 and will be further developed and refined. Rapid Response to Crises and Emergencies (OP 8.00): Progress Report (SecM2009-0200), April 16, 2009.

particularly for programs with relatively large civil works and goods components; further use of specialized UN agencies in areas where they are uniquely qualified for the delivery of services or goods in a timely manner; and establishment and maintenance of a database of best practices and templates. Going forward, by the time of the IDA16 MTR, the Bank will conduct a review on streamlining administration of procurement, fiduciary and legal inputs for operations in FCCs and on ensuring an appropriate balance of fiduciary risks and the risk of not achieving timely development, peace-building and state-building results.

F. Measurement of Progress in Fragile and Conflict Affected Situations

69. **Measurement is key to assessing dimensions of fragility, defining achievable goals, and monitoring progress along the path to development.** Monitoring of progress in FCCs faces specific challenges related to (i) the seriousness of the problems the countries are facing (for example, security risk and violence, economic weakness and state fragility); (ii) limited availability of reliable and updated data; (iii) rapidly changing situations; and (iv) the lack of broadly accepted definitions of concepts of fragility, security, governance, legitimacy, capacity, peace building and state building. In this regard, a number of initiatives are currently ongoing on the measurement of progress in fragile situations. These include the OECD-DAC International Network on Conflict and Fragility and the International Dialogue which brings OECD donors together with fragile countries; a process sponsored by Norway and UNDP on armed violence reduction; and the work of the UN Peace-Building Commission. The Bank is collaborating with these partners to develop one harmonized approach to measuring progress. To feed into this work, the WDR team is in the process of evaluating both the design and the implementation feasibility of the addition of a limited number of indicators to recognize progress on security and confidence in state institutions and economic prospects.

70. **Furthermore, IDA is refining its approach to performance measurement in countries currently receiving exceptional allocations.** For these countries, IDA uses a set of Post-Conflict Performance Indicators (PCPI), tailored to the specific circumstances of countries emerging from conflict. During the IDA15 replenishment negotiations it was proposed that consistent with IDA's efforts to enhance the transparency of the process of allocating IDA resources, IDA would establish an external panel to review the PCPI as part of moving toward the disclosure of the PCPI scores during IDA15. The panel has recommended to streamline the criteria and strengthen the review process used to determine the PCPI country scores. Based on these recommendations, IDA management is currently revising and testing the PCPI criteria, with a goal to publicly disclose the country scores in June 2011 before the start of IDA16.

G. Key Commitments for IDA16

71. **IDA will undertake the following actions in order to strengthen its support to FCCs.**

- Operationalize findings of the WDR for 2011 on conflict, security and development challenges in FCCs. Prepare comprehensive assessment of financing for FCCs and specific proposals as warranted for consideration at the IDA16 MTR.
- Complete IEG evaluation of the Bank's work in FCCs.
- Revise the current Operational Policy (OP) 2.30 on Development Cooperation and Conflict, by the end of calendar year 2011.

- Expand efforts to fully mainstream MDTFs for FCCs into the core business of the Bank.
- Continue efforts to attract experienced staff, to decentralize decision making in fragile countries, and get the right balance of skills.
- Conduct review of procurement, fiduciary and legal inputs for operations in FCCs and on ensuring an appropriate balance of fiduciary risks before the IDA16 MTR.
- Revise and test PCPI criteria; and publicly disclose the country scores starting in June 2011.

VI. ISSUE FOR DISCUSSION

72. Do Deputies endorse the proposals and recommendations for the three special themes set out in this paper for IDA16?

Annex 1. Development Progress in IDA Countries

1. **IDA monitors fourteen development outcome indicators to track overall development progress in IDA countries.** These indicators were selected because they are the most relevant and measurable in the majority of the IDA countries and they form Tier 1 of the IDA RMS (Tier 2 indicators monitor IDA's contribution to development outcomes). These indicators were reviewed most recently during the IDA15 MTR, using data available as of April 2009.⁴⁰ This review updates these figures with data available as of April 2010.

2. **Overall IDA countries made progress on every indicator during the most recent period for which data are available.** And, while the rate of progress fell short of that needed to achieve most of the targets of the MDGs, prospects for some IDA countries achieving some MDG targets have improved. Table 1 below summarizes the progress of IDA countries as a whole measured by the Tier 1 indicators using the most recently available data.⁴¹ Additional details are available in Tables 2 and 3.

⁴⁰ Note that the IDA RMS was reviewed for the IDA15 MTR in November, 2009. See "The IDA Results Measurement System: Mid-Term Review", November, 2009.

⁴¹ Because of limitations of data availability across IDA countries, the baseline values and most recent values refer to different years and slightly different time periods for each of the indicators

Annex 1. Table 1: Progress in Tier 1 Outcome Indicators (April 2010)

	Year of baseline value	Year of most recent value	Aggregate outcomes		Country-level outcomes	
			Baseline value	Most recent value	% of countries making progress	% of countries making substantial progress ^a
I. Growth and Poverty Reduction						
1. GDP per capita (constant 2000 US\$)	2005	2008	511	602	89	22
2. Population living on less than US\$1.25/day (%) ^b	2002	2005	46.4	42.4	78	22
II. Public Financial Management and Investment Climate						
3a. Public financial management (number of HIPC benchmarks met) ^c	2001/02	2004	6	7	41	..
3b. Public financial management (CPIA 13 quality of budgetary and financial management rating (1=low to 6=high)) ^c	2005	2008	3.32	3.36	28	27
4. Cost required for business start-up (% of GNI per capita)	2006	2009	92	68	96	26
5. Time required for business start-up (days)	2006	2009	43	35	58	24
III. Infrastructure for Development						
6. Access to an improved water source (% of population)	2000	2006	73.1	78.4	75	39
7. Mobile and fixed line phone subscribers (per 100 population)	2004	2008	8	37	99	45
8. Access to an all-season road (% of rural population)	2000		61	..	..	..
9. Household electrification rate (% of households)	2004	2007	55.1	61.5	85	25
IV. Human Development						
10. Under 5 mortality rate (per 1,000 live births)	2005	2008	111	104	91	21
11. Prevalence of HIV/AIDS (% adult population aged 15-49)	2004	2007	1.5	1.4	36	36
12. Births attended by skilled health staff (% of total births)	2003	2007	42.2	45.5	65	36
13. Primary completion rate, total (% of relevant age group)	2004	2008	72.6	80.4	64	37
14. Ratio of girls to boys in primary and secondary education (%)	2004	2008	87.9	90.7	74	39
Source: WDI 2010 and World Bank staff estimates.						
a. Substantial progress is defined as the 75th percentile of progress observed in all developing countries.						
b. The US\$1.25 a day poverty line (measured in 2005 prices) replaces the previous US\$1.08 a day poverty line (measured in 1993 prices). Due to this change and using the 2005 purchasing power parity data, poverty estimates are revised.						
c. Indicator 3a (number of HIPC benchmarks met) has been discontinued and replaced by 3b (CPIA 13 quality of budgetary and financial management.)						
(..) Data not available.						

3. Results by category include:

- **Growth and Poverty Reduction:** Real gross domestic product (GDP) per capita in IDA countries grew by 5.5 percent per year between 2005 and 2008, more than double the average rate of growth of the same countries between 1990 and 2005. Almost 90 percent of IDA countries have enjoyed positive growth since 2005 and IDA countries in Sub-Saharan Africa grew at an average annual rate of 4 percent between 2005 and 2008.

While the proportion of people in IDA countries living on less than US\$1.25/day⁴² dropped by four percentage points to 42.4 percent over the three years ending in 2005, the overall pace of poverty reduction in IDA countries since 1990 still falls short of the progress needed to halve the extreme poverty rate by 2015. Progress at the country level varies greatly.

- **Public Financial Management and Investment Climate.** The indicator for public financial management has stayed constant for 75 IDA countries, but regulatory obstacles to private sector development were significantly reduced between 2006 and 2009.
- **Infrastructure for Development:** Access to an improved water source has increased at a rate adequate to meet the MDG target. Access to phone services more than tripled between 2004 and 2008, from 8 to 23 per 100 people. Similarly, access to electricity by households also improved in this period, from 55 percent in 2004 to almost 62 percent in 2007.
- **Human Development:** While overall progress towards many of the MDG human development goals is lagging, acceleration of progress in the last several years means more IDA countries are on track to reach significant MDG targets. In health, the under-five child mortality rate declined modestly in IDA countries from 111 to 104 per 1,000 live births. The adult HIV/AIDS prevalence rate appears to have stabilized in IDA countries at about 1.38 of the adult population of 15-49 years. The proportion of births attended by skilled health personnel in IDA countries is increasing, but not fast enough to substantially impact the maternal mortality rates. In education, the primary school completion rate increased by almost 8 percentage points between 2004 and 2008; 80 percent of children of graduation age were able to complete their primary education. The ratio of girls' primary and secondary enrollment to boys' increased from 87.9 percent to 90.7 percent in three years; yet the rate of improvement is too slow to reach the MDG target of eliminating gender disparities in education by 2015.

4. **It is, however, important to note that the impact of the recent crises has brought to a halt and in some case reversed the recent record of development progress.** The food, fuel and financial crises attacked two critical drivers of development progress: faster growth and better service delivery. Past experience suggests that the impact will undoubtedly be serious because of the severity of the crises and the tendency for indicators of human development to decline rapidly during economic downturns and improve slowly during economic booms.⁴³ Moreover, vulnerable groups, such as children and women, are more exposed to the effects of growth volatility.

5. **Economic downturns also have an important gender dimension; they tend to affect girls more than boys.** These differences may result from household time and resource allocations that favor boys over girls when household budgets shrink. Some 64 million more people around the world are expected to be living on less than US\$1.25 a day by the end of 2010 than would have been the case without the crisis, and between 30,000 and 50,000 children may have died of malnutrition in 2009 in Sub-Saharan Africa because of the crisis, almost all of

⁴² The extreme poverty line was updated following the availability of the 2005 benchmark Purchasing Power Parity (PPP) estimates in 2005, as were the poverty headcount estimates at country and global level.

⁴³ See "Global Monitoring Report 2010: The MDGs after the Crisis", World Bank, 2010.

them girls.⁴⁴ That worsens the region's struggle to reduce infant mortality: 3 million already die every year before reaching their first birthday.

6. **The impact of the crisis on poverty will be long lasting.** Poverty rates will continue to fall after the crisis, but more slowly. By 2015 the global poverty rate is projected to be 15 percent, not the 14.1 percent it would have been without the crisis.⁴⁵ Furthermore, even if there is a robust recovery it will not make up all the lost ground. And as a result of the crisis, 71 million fewer people will have escaped poverty by 2020. For Sub-Saharan Africa, the poverty rate is expected to be 38 percent by 2015, rather than the 36 percent it would have been without the crisis, lifting 20 million fewer people out of poverty. The medium-term impact on other MDGs may also be considerable. Illustrative and indicative results from growth analyses suggest persistent gaps between pre-crisis and post-crisis trends in 2015:

- An additional 55,000 infants might die in 2015. And 260,000 more children under five could have been prevented from dying in 2015 in the absence of the crisis. The cumulative total from 2009 to 2015 could reach 265,000 and 1.2 million, respectively.
- An estimated 350,000 more students might be unable to complete primary school in 2015.
- Some 100 million more people might remain without access to an improved source of water.

⁴⁴ See "How Many More Infants are Likely to Die in Africa as a Result of the Global Financial Crisis?" World Bank, 2009.

⁴⁵ Ibid, GMR 2010.

Annex 1. Table 2: Changes in IDA Results Measurement System Tier 1 Outcome Indicators

Indicator	Units	Countries Coverage included ^a		Year		Outcomes ^c			Benchmark rate of change(ROC) (%)		
		(no.)	b (%)	Baseline	Most Recent	Baseline	Recent	Average annual rate of Most change (ROC) (%) ^d	IDA past ROC (1990 - baseline)	IDA required ROC to achieve MDG	Non-IDA developing countries recent ROC
Recent progress exceeds the average ROC to reach MDG target											
1. Proportion of population below US\$1/day poverty line	Percent of population	64	91	2002	2005	46.4	42.4	-3	-1.7	-2.8	-15
3. HIV prevalence rate of adult population aged 15-49	Percent of population age 15-49	53	85	2004	2007	1.5	1.38	-2.8	..	<=0	1
7. Proportion of population with sustainable access to an improved water source	Percent of population	77	96	2000	2006	73.1	78.4	1.2	1.2	1.1	0.9
Recent progress exceeds IDA past ROC (1990—baseline)											
2. Under-5 child mortality	Per 1,000 live births	78	100	2005	2008	111	104	-2.2	-1.7	-4.4	-5
6. Primary school completion rate	Percent of population of official graduation age	63	90	2004	2008	72.6	80.4	2.5	1.7	2.5	0.8
8. Fixed lines and mobile telephone per 100 inhabitants	Per 100 people	76	97	2004	2008	8.0	37.1	39.1	16.9	n/a	16.6
12. GDP per capita	Constant 2000 \$US	74	97	2005	2008	511	602	5.5	2.7	n/a	6.1
14. Household electrification rate	Percent of households	48	91	2004	2007	55.1	61.5	3.7	2.7	n/a	..
IDA progress exceeds Non-IDA developing countries recent ROC											
4. Proportion of births attended by skilled health personnel	Percent of births	76	100	2003	2007	42.2	45.5	1.8	1.6	3.8	0.8
5. Ratio of girls to boys in primary and secondary education	Percent	52	77	2004	2008	87.9	90.7	0.8	1.4	1.3	0.4
10. Time required for business start up	Days	76	98	2006	2009	43	35	-7	..	n/a	-5.7

Indicator	Units	Countries Coverage included ^a		Year		Outcomes ^c			Benchmark rate of change(ROC) (%)		
		(no.)	(%)	Baseline	Most Recent	Baseline	Recent	Average annual rate of Most change (ROC) (%) ^d	IDA past ROC (1990 - baseline)	IDA required ROC to achieve MDG	Non-IDA developing countries recent ROC
IDA progress lags or no comparison possible											
9. Formal cost required for business start up	Percent of GNI per capita	76	98	2006	2009	92	68	-10.1	..	n/a	-20.7
11. Public financial management	Number of benchmarks met	22	27	2001/02	2004	6	6.5	2.7	..	n/a	..
11. Public financial management	CPIA quality of budgetary and financial management rating (1=low to 6=high)	75	98	2005	2008	3.32	3.36	0.2	..	n/a	..
13. Access to rural population to an all-season road	Percent of rural population	32	83	1995/2003	n/a	61	..	..	..	n/a	..

Source: WDI 2010 and staff estimates.

(..) means insufficient data, (n/a) means not applicable

^a 79 IDA eligible countries are considered in the aggregation for all indicators.

^b Percent of relevant population from total relevant population in the 79 IDA countries.

^c Two indicators do not have sufficient information yet to measure progress between IDA periods.

^d The average annual growth is calculated between the baseline estimated value and the most recent estimated value. It is the most recent rate of growth experienced by the indicator.

Annex 1. Table 3: Data Availability for IDA RMS Tier 1 Indicators

<i>Indicator</i>	<i>Beginning of IDA14^a</i>		<i>Mid-Term Review^a</i>			<i>April 2010^b</i>		
	<i># of IDA countries with data in 2000-02</i>	<i># of IDA countries included in calculation of aggregate performance</i>	<i># of IDA countries with data in 2000-02</i>	<i># of IDA countries with data in 2002-04</i>	<i># of IDA countries included in calculation of aggregate performance</i>	<i># of IDA countries with data in 2000-02</i>	<i># of IDA countries with data in 2005-08</i>	<i># of IDA countries included in calculation of aggregate performance</i>
	GDP per capita (constant 2000 US\$)	77	77	77	77	78	74	74
Population below US\$1 a day (%)	15	48	25	21	48	32	30	64
Public financial management	24	24	23	29	22	23	29	22
Public financial management (CPIA quality of budgetary and financial management rating (1=low to 6=high))	..	..	..	..	..	..	75	75
Cost required for business start-up (% of GNI per capita)	55	38	0 ^d	66	65	0 ^d	77	76
Time required for business start-up (days)	55	39	0 ^d	66	65	0 ^d	77	76
Access to an improved water source (% of population) ^e	75	34	80	79	61	77	73	55
Fixed line and mobile phone subscribers (per 1,000 people)	80	79	80	79	80	76	76	76
Access to an all-season road (% of rural population)	11	..	10	8	..	10	8	..
Household electrification rate (% of households)	18	..	21	2	..	42	38	48
Under 5 mortality rate (per 1,000) ^e	80	79	80	80	80	78	78	78

<i>Indicator</i>	<i>Beginning of IDA14^a</i>		<i>Mid-Term Review^a</i>			<i>April 2010^b</i>		
	<i># of IDA countries with data in 2000-02</i>	<i># of IDA countries included in calculation of aggregate performance</i>	<i># of IDA countries with data in 2000-02</i>	<i># of IDA countries with data in 2002-04</i>	<i># of IDA countries included in calculation of aggregate performance</i>	<i># of IDA countries with data in 2000-02</i>	<i># of IDA countries with data in 2005-08</i>	<i># of IDA countries included in calculation of aggregate performance</i>
Prevalence of HIV/AIDS, (% adult population aged 15-49) ^e	53 ^c	44 ^c	0 ^d	63	63	54	60	53
Births attended by skilled health staff (% of total)	53	52	61	40	64	61	67	76
Primary completion rate, total (% of relevant age group)	62	55	62	63	62	63	68	63
Ratio of girls to boys in primary and secondary education (%)	52	52	63	64	54	64	65	52

Source: WDI 2005, 2007, 2010 and staff estimates.

^a 80 IDA eligible countries in total, including Serbia and Montenegro but excluding Timor-Leste.

^b 79 IDA eligible countries in total.

^c The availability was based on prevalence of HIV/AIDS among women aged 15-24.

^d Previous estimates were removed as either the methodology changed or the methodology only provides estimates for benchmark years.

^e Availability is based on the official estimates reported by WHO, UNICEF, and UNAIDS, and may under represent the availability of underlying primary data.

Annex 2. The Economics of Adaptation to Climate Change Study's Methodology

1. The cost of adapting to a changing climate for currently IDA-eligible (including blend) countries will be around US\$24-26 billion per year over the next ten years and is expected to rise to US\$40 billion by 2050 based on a reanalysis of a recently completed World Bank study. This annex provides details about the original study focusing on the cost of adapting to climate change in IDA countries and its implications for projects and programs funded through IDA.

2. The Economics of Adaptation to Climate Change (EACC) study estimated that developing countries will need to invest US\$75 to US\$100 billion per year on average between now and 2050 to adapt to an approximately 2°C warmer world. The study provides cost estimates by developing country for eight key areas by decade. The adaptation cost results for IDA countries reported here are an aggregation of those country results. The first half of the annex provides details about the original EACC estimates adaptation cost at the country level. The second half of the annex discusses how the estimated costs have been further apportioned based on IDA's share of overall investments in IDA countries to determine the implications for projects and programs funded through IDA.

A. Adaptation cost in IDA countries

3. The goals of the EACC study were to (i) develop an estimate of adaptation costs for developing countries under the “global track” of the study; and (ii) to help decision makers in developing countries understand and assess the risks posed by climate change and design better strategies to adapt to climate change through a set of seven country case studies. It was initiated by the World Bank in early 2008 and funded by the governments of the Netherlands, Switzerland, and the United Kingdom. The analysis presented here is primarily based on the “global track” of the study.

4. **Four-step Methodology for Adaptation Costs:** Adaptation cost in the EACC study is estimated by comparing a future world without climate change with a future world with climate change. The difference between these two worlds entails a series of actions to adapt to the new world conditions. The costs of these additional actions are the costs of adapting to climate change. Analysis is undertaken for the following key sectors/areas – agriculture, infrastructure, coastal, water supply and riverine flooding, human health, extreme weather events, and fisheries – and aggregated to the country level. The four-steps to computing adaptation costs for each country and sector are as follows:

- **Pick a baseline.** Development baselines were crafted for each sector using a consistent set of GDP and population forecasts through 2010–50. The baseline establishes a growth path in the absence of climate change that determines sector-level performance for each sector.
- **Choose climate projections.** Two climate scenarios are used to capture as large as possible a range of climate model predictions. Although model predictions do not diverge much in projected temperature increases by 2050, precipitation changes vary substantially across models. For that reason, model extremes were captured by using the two model scenarios that yielded extremes of dry and wet climate projections. Catastrophic events were not captured, however.

- **Predict impacts.** The impacts of changes in climate were used to predict what the world would look like under the new climate conditions in each of the sectors.
- **Identify adaptation alternatives and estimate costs.** Adaptation costs were estimated for each sector. Cost implications of changes in the frequency of extreme weather events were also considered. While cross-sectoral analyses were not completed, duplication of costs across areas was avoided.

B. Which adaptation actions are included?

5. **Adaptation deficit is not included:** Developing countries face not only a deficit in adapting to current climate variation, let alone future climate change, but also deficits in providing education, housing, health, and other services. Thus, many countries face a more general “development deficit,” of which the part related to climate events is termed the “adaptation deficit.” While costs of adaptation can be estimated with or without the adaptation deficit, the EACC study chose to make the adaptation deficit a part of the development baseline, so that adaptation costs cover only the additional costs to cope with *future* climate change. Thus, the costs of measures that would have been undertaken even without climate change are not included in adaptation costs, but the costs of doing more, doing different things (policy and investment choices), and doing things differently are.

6. **Only the cost of planned adaptation is included:** Adaptation measures can be classified by the initiating economic sector – public or private. This study includes planned adaptation (adaptation that results from a deliberate public policy decision) but not autonomous or spontaneous adaptation (adaptation by households and communities acting on their own without public interventions but within an existing public policy framework).

7. **Goal of adaptation is to reach same level of welfare:** The study assumes that countries will adapt up to the level at which they enjoy the same level of welfare in the (future) world as they would have without climate change. These goals were set separately for each sector analyzed. This is not necessarily the most economically rational decision, but it is a practical simplifying assumption.

8. **Aggregating to the country level:** The adaptation costs for each sector were aggregated to the country level. In instances where regions or sectors within a country benefited as a result of climate change, the benefits were netted out to obtain the net cost of adaptation to the country. The few countries with negative net costs (i.e. positive net benefits) were not included in the total costs reported for IDA countries. The sectoral results for IDA countries for the coming decade are summarized for the two climate scenarios in the table below. The key highlights are:

- The average annual cost of adaptation in IDA countries during the 2010-2050 period is US\$34 billion in constant 2005 prices. About 40 percent of these costs will be incurred in Sub-Saharan Africa.
- Adaptation costs rises over time in all regions except East Asia Pacific and Latin America and the Caribbean where trends do not exhibit a consistent pattern. The average annual cost of adaptation in IDA countries during the 2010-2020 period is US\$24-26 billion in constant 2005 prices. About 30-35 percent of these costs will be incurred in Sub-Saharan Africa.

- At the sectoral level, the water resources sector (municipal/industrial water supply and flood protection), the coastal sectors, infrastructure and agriculture account for the largest costs in 2010-2019 in IDA countries.
- Climate proofing infrastructure requires an average increase of 0.9 to 2.2 percent over baseline infrastructure costs for IDA countries in 2010-2019. These cost increases anticipate changes in climate over the life of the assets. Cost increases are largest for urban drainage 2.9-6.6 percent followed by transport 1.2-3.3 percent. The cost increases for other sectors are 0.2-0.3 percent. Urban drainage cost increase disproportionately as these costs depend on changes in the maximum precipitation level instead of the average precipitation level. Cost of climate proofing infrastructure increases in later periods rising to 6-16 percent for urban drainage, 2-5 percent for transport and less than 1 percent for other infrastructure categories by 2050.

Table 1. Total annual costs of adaptation for all sectors, by region 2010-19 for IDA and IDA-blend countries							
Cost aggregation type	East Asia and Pacific	Europe and Central Asia	Latin America and Caribbean	Middle East and North Africa	South Asia	Sub-Saharan Africa	Total
National Centre for Atmospheric Research (NCAR), wettest scenario							
Water	1.7	0.1	1.3	0.0	1.5	4.3	8.9
Coastal	2.5	0.0	0.5	0.1	1.6	2.5	7.1
Infrastructure	0.4	0.1	0.0	0.1	3.6	0.8	5.0
Agriculture	0.1	-0.0	-0.0	0.0	1.2	-0.1	1.3
Others	0.3	0.1	0.0	0.0	1.8	1.5	3.7
Total	5.0	0.2	1.8	0.3	9.7	9.0	26.0
Commonwealth Scientific and Industrial Research Organization (CSIRO), driest scenario							
Water	1.4	0.0	-0.0	0.0	5.5	2.9	9.9
Coastal	2.5	0.0	0.5	0.1	1.6	2.4	7.0
Infrastructure	0.1	0.0	0.0	0.1	1.1	0.4	1.8
Agriculture	0.2	-0.0	0.0	0.0	1.3	0.4	1.9
Others	0.3	0.0	0.0	0.0	2.0	0.8	3.1
Total	4.5	0.1	0.5	0.3	11.5	7.0	23.8

C. Implications for the IDA portfolio

9. Fully addressing the effects of climate change will require IDA countries to not only climate proof their investments but also to develop differently. This entails not only improved capturing of ecosystem services but also protecting natural resources and ecosystems to increase the services that they can deliver. For IDA funded projects to achieve the same level of welfare will require a proportional increase commensurate with the additional adaptation costs. The additional cost for the IDA portfolio is determined in three steps as follows:

- Infrastructure: The EACC study estimated the cost of climate proofing 21 different types of infrastructure assets by county. These cost increases were aggregated to the World Bank region level. The respective costs are applied to the distribution of IDA14 & IDA15 investments (excluding irrigation, water supply, flood protection, and coastal protection). The total cost of climate proofing these assets in IDA16 is estimated to be approximately US\$0.1 to 0.2 billion per year.
- The adaption costs in other sectors are based on IDA's share of total investments in IDA countries in the respective sectors. While IDA accounts for 6 percent of overall ODA, it accounts for 17 percent of investments in agriculture and 15 percent of water. While there are no statistics on non-ODA investments by sector, ODA accounts for about 50 percent of total investments, hence IDA's share in ODA is reduced by half to obtain IDA's share in total investments. These shares are applied to the total adaptation cost reported for IDA countries in the table above.
- As a result, additional IDA investments needed to maintain the same level services are about US\$0.7 billion per year for water supply and flood protection, US\$0.1-0.2 billion for agriculture and US\$0.3 billion per year for coastal and other sectors.

10. The total additional investments during IDA16 that is needed to maintain same level of services as these IDA investments would provide in the absence of climate change are US\$1.3 billion per year or about US\$3.8 billion in the three years of IDA16.

Annex 3. Climate Investment Funds

IDA16 faces a major opportunity as it will coincide with the entry in full force of the portion of CIF relevant for IDA countries. Details on the work that is shaping are as follows:

- Since climate change will make the poverty reduction efforts of IDA more costly to achieve, it is critical for IDA to continue its role of leveraging additional finance through the tapping of adaptation funds such as the Pilot Program for Climate Resilience (PPCR). The PPCR aims at piloting how to assist highly vulnerable developing countries in exploring practical ways to increase climate resilience in core development planning. Nine IDA countries – Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia – and two regions (Caribbean and South Pacific) have been selected to participate in the pilot program. The program is divided in two phases. For Phase I countries can ask up to a maximum of US\$1,5 million for the preparation of the Strategic Program for Climate Resilience (SPCR). Phase II is devoted to the implementation of SPCR and countries can ask between US\$30 to 60 million. On March 15-16 a PPCR pilot countries meeting took place at the Asian Development Bank in Manila, Philippines. There, Zambia received funds for US\$1.5 million and approval for the preparation of the SPCR. Nepal received funds for US\$225.000.⁴⁶ Scoping and joint missions by MDBs have taken place in Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Tajikistan and Yemen.
- The Program for Scaling-Up Renewable Energy in Low Income Countries (SREP) will assist IDA countries in initiating transformational change toward low carbon energy pathways. Countries are in the process of submitting expressions of interest. SREP's total envelope is currently \$292 million. Six countries will be selected to develop investment plans, with three more selected as back up in case more funds are available or the selected countries would not take up the program for some reason. An Expert Group, which will be responsible for making recommendations on country selection, will be established by April 30 2010 and will submit the recommendations to the SREP Sub-Committee by June 30. As early as July, the selected countries will begin preparing investment plans with support from MDBs. It is expected that each investment plan will have on an average three projects.
- The Forest Investment Program (FIP) will support developing countries' efforts to reduce deforestation and forest degradation (REDD+) and promote sustainable forest management that leads to emission reductions and the protection of carbon reservoirs. It achieves this by providing scaled-up financing to developing countries for readiness reforms and public and private investments, identified through national REDD+ readiness or equivalent strategies. Burkina Faso, Ghana and Lao PDR were selected as pilot countries for the FIP program in March 2010 during the Manila meetings. Right now, these countries have to confirm their interest on the program. After this, through joint missions and consultations, the respective governments will decide with MDBs' advice on the program. The Expert Group is expected to recommend another additional six

⁴⁶ Countries can ask for the money for the Phase I either by tranches – as Nepal did – or the maximum amount US\$1.5 million depending on their capacity to absorb the money and come out with a plan

countries. There is no amount allocated for each country since the FIP plan has not been decided yet. During the Manila meetings the amount allocated to FIP was raised up to US\$ 558 million. Different financial instruments will be used to channel the FIP money such as guarantees, concessional loans, contingent loans and grants.

- The Clean Technology Fund (CTF) promotes scaled-up financing for demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term greenhouse gas emissions savings. CTF promotes programs in the power and transport sectors and on energy efficiency. Of the CIFs, the CTF is probably the least relevant for IDA countries at the moment, since the mitigation potential in IDA countries is not as large as it is in IBRD clients. There are notable exceptions, such as Vietnam. The CTF investment plan for Vietnam proposes co-financing of USD 250 million to support the country's goals of reducing national energy consumption relative to business as usual projections by 5-8 percent by 2015, with renewable energy accounting for 5% of total power generating capacity by 2020, and expanding public transport to a 50 percent share of passenger-kilometers travelled by 2020.