IDA19

The Demand for IDA19 Resources and the Strategy for their Effective Use

Compendium

Development Finance Corporate IDA and IBRD (DFCII)

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ACRONYMS AND ABBREVIATIONS

Fiscal year (FY) = July 1 to June 30

ADB	Asian Development Bank
AF	Additional Financing
AIIB	Asian Infrastructure Investment Bank
ARTF	Afghanistan Reconstruction Trust Fund
ASA	Advisory Services and Analytics
ASEAN	Association of Southeast Asian Nations
BETF	Bank-Executed Trust Funds
CABEI	Central American Bank for Economic Integration
CAREC	Central Asia Regional Economic Cooperation
CARICOM	Caribbean Community
CAT-DDO	Catastrophe Deferred Draw-Down Option
CDB	Caribbean Development Bank
CDD	Community-Driven Development
CERC	Contingent Emergency Response Component
CLMVT	Cambodia, Laos, Myanmar, Vietnam and Thailand
CMAW	Creating Markets Advisory Window
COMRURAL	Honduras' Rural Competitiveness Project
CRW	Crisis Response Window
CPF	Country Partnership Framework
DEMPA	Debt Management Performance Assessments
DFAT	Australian Department of Foreign Affairs and Trade
DFID	United Kingdom Department for International Development
DP	Development Partners
DPC	Development Policy Credit
DPF	Development Policy Financing
DRC	Democratic Republic of the Congo
DRM	Disaster Risk Management
DSA	Debt Sustainability Analysis
ECA	Europe and Central Asia
EAP	East Asia and the Pacific
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Organization
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GPE	Global Partnership for Education
GRIF	Global Risk Financing Facility
HCI	Human Capital Index
HCP	Human Capital Project
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IDB	Inter-American Development Bank
IDP	Internally Displaced People
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IPP	Independent Power Plant
IPF	Investment Project Financing
JET	Jobs and Economic Transformation
JICA	Japan International Cooperation Agency
LCR	Latin America and the Caribbean Region
MDTF	Multi-Donor Trust Fund
MFD	Maximizing Finance for Development
MIC	Middle-Income Country
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa
MTR	Mid-Term Review
MW	Megawatt
NCD	Non-Communicable Diseases
NGO	Non-Governmental Organization
OECS	Organisation of Eastern Caribbean States
PBA	Performance Based Allocation

PHRD	Professional Human Resource Development Project
PFM	Public Financial Management
PLR	Performance and Learning Review
PM	Prime Minister
PNG	Papua New Guinea
PPCR	Pilot Program for Climate Resilience
PPP	Public-Private Partnership
PSW	IFC-MIGA Private Sector Window
PwD	People with Disabilities
RETF	Recipient-Executed Trust Funds
RMR	Risk Mitigation Regime
SAR	South Asia Region
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
SOE	State-owned Enterprise
SUF	Scale-Up Facility
SWEDD	Sahel Women Empowerment and Demographic Dividend
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WHO	World Health Organization

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I. REGIONAL APPROACHES

A. INTRODUCTION

The World Bank Group (WBG) assistance to individual countries is driven by the Systematic Country Diagnostic (SCD), which identifies the critical constraints and opportunities for reducing poverty and boosting shared prosperity. The SCD then informs the Country Partnership Framework (CPF), which reflects development objectives considering the country's priority goals, and the WBG's comparative advantage. Similarly, the World Bank's Regions develop overall approaches for engagement with the countries in their respective region. The sections below present a summary of these regional approaches for the IDA19 period.

B. SUB-SAHARAN AFRICA

Approach for reaching the WBG twin goals, the Sustainable Development Goals (SDGs), and the regional development goals

The war on global poverty will either be won or lost in Africa. While progress has been made in reducing the rate of poverty on the continent – from 54 percent in 1990 to 41 percent in 2015 – Africa still lags behind other regions, which have seen bigger improvements in poverty reduction. The number of poor people in Sub-Saharan Africa has been rising, from 276 million in 1990 to 413 million in 2015. Six out of the top ten countries with the largest number of poor people in the world are in Sub-Saharan Africa: Nigeria, Democratic Republic of the Congo (DRC), Ethiopia, Madagascar, Kenya, and Tanzania. In 2015, more than 50 percent of the global poor lived in Africa. If current trends continue, forecasts estimate that this figure will rise to 87 percent by 2030. Decelerating economic growth in recent years has slowed the pace of poverty reduction. High population growth has in turn muted the poverty-reducing effects of growth, as the region is set to become the most populated continent in the second half of the 21st century. The effects of climate change add to the existing fragility, conflict, and governance challenges in many countries.

To surmount the complex and multidimensional challenges in Africa, the WBG must do things differently. A business as usual approach would reduce the poverty rate only to 23 percent by 2030, far from the global SDG of eradicating poverty. The WBG's Africa Region (AFR) will fully embrace innovation and disruptive technologies, and adopt a more strategic and integrated approach towards prioritization and selectivity to accelerate efforts for poverty eradication. The new strategic approach for WBG Africa Region has selected these priorities:

- **Investment in human capital** (see Box 1), with women's empowerment and sexual and reproductive health as an area of special attention.
- **Economic transformation and job creation**, making use of new technologies to create jobs, improve governance, and enhance key services, such as health and education. The Digital Economy for Africa initiative aims to accelerate this agenda.
- **Private sector development**, including support for improvements in the business environment through fiscal sector reforms, comprehensive business reforms and investment policy promotion to advance the MFD agenda. These efforts will be

complemented by micro-level interventions to support worker productivity through several lenses, including gender, youth, informal and small farms/firms in SSA.

- **Adapt to climate change,** including by addressing its negative impacts on food security and coastal areas, and its contribution to conflict and fragility.

Box 1. The Africa Human Capital Project

The Human Capital Project (HCP) is helping countries to prioritize more and better investments in people for greater equity and growth, central to achieving the Sustainable Development Goals (SDGs) and the World Bank Group (WBG)'s twin goals. HCP is a platform that facilitates outcome driven policy action on many fronts: mobilizing resources; governance; regulation of non-state actors; empowering women and girls; and, raising public awareness and demand for quality services.

The WBG is at the forefront of helping countries strengthen their human capital. The WBG has mobilized resources for a special support effort in Africa, where the needs and potential gains are the highest. Twenty-four African countries have joined a coalition of over 60 countries as members of the HCP, committing to a set of accelerated investments in their human capital.

While every country faces unique obstacles and opportunities, three widespread challenges put at risk young African's survival, education and health: (i) high fertility; (ii) Fragility, Conflict and Violence; and (iii) suboptimal financing.

As girls reach adolescence, social norms which emphasize their childbearing and domestic roles at the expense of their income generating role lead many to drop out of school. This, in turn, leads many girls to start having children early, contributing to higher maternal health risks and higher lifetime fertility, while also reducing their access to jobs, which in turn reduces the perceived and actual incentives for households to invest in girls' education.

A focus on women's economic empowerment can motivate greater investments in women's human capital. In addition, issues related to fertility and demographics are especially relevant in SSA, given the current high rates of population growth and the opportunity to capture a demographic dividend if these rates are reduced quickly.

The World Bank is gearing up support to address these issues together with IDA countries and partners, based on a new Human Capital Plan for the Sub-Saharan Africa Region launched at the Spring Meetings in April 2019.

AFR also commits to step up engagement to address:

- <u>FCV drivers</u>, through greater focus on prevention and inclusive approaches. There will also be a greater focus on the regional dimensions of fragility, which will lead to new country-level programming and regional programming, including at least three sub-regional programs for the Sahel, the Horn of Africa, and the Lake Chad region.
- <u>Women's economic empowerment</u>, including to: promote women's entrepreneurship and their access to more and better jobs; reduce fertility for improved maternal and child health; and keep girls in school to enable countries to capture a demographic dividend.[1]

[1] The operationalization of the region's approach is being driven by a Regional Gender Action Plan (RGAP) (FY18-FY22), which is built around three 'channels of action': The RGAP will be implemented through three main channels of action: (1) integrating gender in country level strategic documents and policy dialogue (e.g. SCDs, Poverty Assessments, CPFs); (2) integrating gender into WBG operations; (3) research and research uptake, including though impact evaluations from the Africa Region Gender Innovation Lab, which allow project teams to see what works and what does not to close gender gaps.

- Deepening regional integration, via support for larger and transformative regional integration projects. This will build on existing initiatives in the region, such as the West Africa Power Pool network and African Continental Free Trade Area among others.[2]
- Ensuring macro-economic stability and debt management, through partnership with the IMF to support macroeconomic programs.

Aside from clear priorities to inform selectivity at country level, the WBG is also infusing its engagement with Africa with a new sense of ambition, as highlighted by a set of new regional targets. Furthermore, the WBG is concentrating its portfolio on fewer, larger, and more transformative operations, along with a renewed focus on quality and results. The heightened ambition comes with an increased awareness of the value of partnering with private and public sector actors.

The WBG's ongoing engagement in Africa closely align with the IDA18 and IDA19 Special Themes. On Jobs and Economic Transformation (JET), the emphasis at the macro level is put on responsible fiscal policy, debt management, adequate monetary policies, and structural reforms (e.g., trade, competition, investment policy) to enhance productivity, boost economic growth, and maximize finance for development. The Region also remains committed to closing the infrastructure gap. At the micro level, the AFR strives to improving the business environment via fiscal sector reforms, comprehensive business reforms, and investment policy promotion. On Gender, the Region will pursue the work of its Gender Lab, and will strengthen its approach toward addressing demographic dynamics in Africa to accelerate growth and human capital gains, with an emphasis on women empowerment and improving reproductive health. On Climate Change, the AFR is implementing its dedicated Africa Climate Business Plan that focuses on strengthening, powering, and enabling resilience.

On Fragile, Conflict and Violence (FCV), the Region will address drivers of fragility via sub-regional and multisectoral approaches that create economic opportunities, provide basic services, restore state presence, and rehabilitate key infrastructure. Delivery in FCV contexts will entail strengthened partnerships with United Nations (UN) agencies and non-governmental organizations (NGOs), enhanced supervision, and an increased staff presence in country offices. On governance, the Region will focus on: (i) reducing fraud in public contracts through digital tools, (ii) harnessing GovTech to deliver resources to the frontlines, (iii) leveraging digital innovations to reduce tax evasion, and (iv) identifying and reducing capture to unlock growth.

Update on IDA18 implementation and opportunities for IDA19

Some recent (FY18) results from World Bank engagement in Africa include:

- 24.94 million African citizens received essential health, nutrition, and population services.
- 270,000 Africans benefited from labor market programs, and 4.63 million from job-focused interventions.
- 3.68 million persons in the region benefited from social safety net programs.
- 21.63 million African students benefited from direct interventions to enhance learning.

[2] World Bank. 2018. "Supporting Africa's Transformation: Regional Integration and Cooperation Assistance Strategy for the period FY18-FY23".

- 270,000 Africans were reached with financial services.
- 3,270 kilometers of roads on the continent were constructed or rehabilitated.

An example of a successful project to be replicated and taken to scale during IDA19 is the Sahel Women Empowerment and Demographic Dividend (SWEDD) Project. This project targets adolescent girls to expedite the fertility transition. It promotes social and behavioral change and empowers women by keeping girls in school, developing life skills and economic empowerment. Girls' empowerment interventions have so far reached more than 100,000 girls. The social behavior change communication campaign has reached 6.3 million persons. The project demonstrates the value of multidimensional solutions to increase both the demand and supply side of reproductive health.

Another agenda to be furthered during IDA19 is addressing forced displacement, considering that Sub-Saharan Africa hosts more than 26 percent of the world's refugee population (6.3 million people at the end of 2017). The subcontinent also accounted for almost half of new conflict-related displacement in the world in 2017. The number of new displacements in Sub-Saharan Africa associated with conflict and violence doubled that year, with five countries hit the hardest: DRC, Somalia, Ethiopia, South Sudan, and the Central African Republic. However, most displacement is the result of not only conflict, but also of sudden and slow-onset disasters (such as draught, food insecurity, and inability to access social services due to insecurity) and the complex, overlapping dynamics between them.

International dialogue and engagement, including support from IDA's Refugee Sub-Window (RSW), has borne fruit in recent years. Ethiopia has made significant progress towards the socio-economic inclusion of its large refugee population. In Cameroon, Chad, and the Republic of Congo, governments have taken steps towards integrating refugees into social protection systems. Niger has started incorporating refugees into community development plans and livelihood enhancement strategies. Already an early champion of refugee inclusion and progressive policies, Uganda recently integrated refugee management and protection in its national development agenda, and districts hosting refugees are now given priority for development interventions. The Government of Djibouti has also taken steps to integrate refugee education and health services into the national systems. This work will be furthered and expanded, and complemented with targeted efforts to improve conditions for displaced persons to return to their countries of origin.

Prospects for future synergies among IDA, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA)

WBG collaboration will be critical to achieving impact in Africa. In a context of increased public debt, bringing in private capital is more crucial than ever. Collaboration across the International Bank for Reconstruction and Development (IBRD), the IFC and MIGA in Africa has grown over time, and spans a range of activities at the country, sector and thematic levels. This collaboration includes the preparation of joint Country Partnership Frameworks, joint investment projects – notably for infrastructure and the financial sector– and joint advisory services and investment climate activities. Three African countries (Cameroon, Cote d'Ivoire and Kenya) have been part of the nine pilots of the Maximizing Finance for Development (MFD) approach.

Partnerships between the public and private sectors will be an essential component of the Digital Economy for Africa initiative and Human Capital agendas. The Region's efforts to improve energy access also heavily rely on attracting private sector investment and Foreign Direct Investment (FDI). New public-private partnership models, especially in generation, mini-grids and off-grid, present attractive options for combining the benefits of public and private investment. Building a track-record of successful private solutions is critical. Continued reforms to strengthen the governance of investments will help governments prioritize, plan, budget, deliver, regulate, and evaluate private investment. With the support of a joint World Bank-IFC program, more than 40 million Africans' basic energy needs are being met in low-income countries across Sub-Saharan Africa through off-grid solar lighting solutions. The aim is to reach 250 million people in the next decade.

Collaboration with other development partners

Existing and new partnership work between the AFR and bilateral and multilateral development partners is focused on four themes: (i) FCV (notably in the Sahel, Lake Chad Region, and the Horn of Africa); (ii) MFD (G20 Compact with Africa);[3] (iii) the Digital Economy for Africa Initiative; and (iv) the Human Capital Project. To tackle these issues, IDA is well positioned to deliver knowledge-based, multi-sectoral solutions; to draw in the private sector through a WBG approach; and to address regional challenges by means of solutions at scale, working with regional partners such as the African Development Bank (AfDB) where applicable. IDA will also support sub-regional initiatives such as the Sahel Alliance,[4] working with the international community to take urgent and coordinated action in the Sahel, a region threatened by insecurity and afflicted by alarming rates of poverty. Furthermore, IDA will seek to build a longer-term development approach to complement humanitarian efforts. To achieve success, multilateral and bilateral partners are counted on to address security and political hurdles, to enable operational delivery in areas that are hard to access, to bring additional financing for development, and to contribute expertise and resources to tackle ambitious agendas that require all hands on deck.

C. SOUTH ASIA

Approach for reaching the WBG twin goals, the SDGs, and regional development goals

The South Asia Region (SAR) has been growing faster than any other regions, and this has translated into significant progress in poverty reduction.[5] However, multidimensional poverty in SAR remains well above global average – at 26.6 percent of the poor population compared to 18.3 percent globally – and is lagging particularly for education and basic services. The region faces a number of economic vulnerabilities with domestic demand driven by private consumption higher than exports, increasing public debt, and sizeable fiscal and current account deficits. Moreover,

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3 The G20 Compact with Africa (CwA) was initiated under the German G20 Presidency to promote private investment in Africa, including in infrastructure. The CwA's primary objective is to increase attractiveness of private investment through substantial improvements of the macro, business and financing frameworks.

4 The Sahel Alliance aims to achieve more effective aid coordination and enhance the support from development partners to the region, in order to more generally contribute to stabilizing the security situation and eradicating poverty, by developing solutions for rural areas, creating employment for young people, improving energy infrastructure and the fight against climate change, and strengthening governance.

5 IDA countries in SAR include Afghanistan, Bangladesh, Bhutan, Maldives, Nepal (FCV pilot) and Pakistan. Additionally, Sri Lanka is an IDA graduate from the region receiving transition support under IDA18.

the gains in poverty reduction and shared prosperity are at risk given SAR's vulnerability to natural disasters and climate change (800 million people live in climate hotspots). Fragility and conflict are increasing poverty in some areas. Long-term sustained and inclusive growth for poverty reduction and shared prosperity is not guaranteed.

A key challenge is strengthening human capital. SAR countries rank low globally in terms of human capital index (HCI), driven in most countries by stunting and low-quality schooling. There is also a need to strengthen private sector led growth. With an addition of approximately 1.5 million working age people per month, there is a need to create 200 million jobs by 2030 for which private sector investment is critical. The rapid urbanization is not delivering on its potential for growth. 130 million live in slum areas and lack basic services. While SAR is one of the most dynamic regions in the world, it is the least economically integrated despite the growing recognition of its benefits, especially energy trade and transport connectivity. There is an urgent need for greater regional cooperation to address shared natural resources and common public goods (e.g., marine and air pollution).

The WBG is prioritizing three areas for strategic engagement to address the challenges in SAR. The country programs are aligned to these three areas. One is supporting sustained and inclusive growth. This includes reforms for macroeconomic stability and for private sector led job creation, and initiatives to support economic diversification, infrastructure development, and expanding access to financial markets. The second area is building human capital, focusing on access to and quality of education and skills development, improvements in health and basic services (e.g., water, sanitation), and progress in gender equity. The third area is strengthening resilience. This includes tackling climate risks (e.g., climate smart agriculture, coastal and forest renewal), strengthening disaster preparedness, strengthening environment management, and addressing sources of fragility and conflict (e.g., related to refugees and returnees, weak governance and institutions). Across these areas, the WBG will be working together to maximize financing for development, de-risk investments, create markets, and promote the use of disruptive technologies. IDA financing – including from the IDA windows – will continue to be critical in supporting the three strategic engagement areas.

Update on IDA18 implementation and opportunities for IDA19

Across the region, programmatic support is being provided in education and health, as well as in other areas. For example, in Afghanistan there is a consolidation of investment projects into one operation to support the government's Fiscal Performance Improvement Program. Work is being considered in Nepal to meet the road connectivity and reconstruction needs in a strategic manner to adapt to the federalism transition. In Afghanistan, consideration is being given to using the approach for Cities Investment Program. Building on ongoing regional integration programs, IDA's engagement will focus on the regional electricity market (within South Asia and between Central Asia and potentially East Asia), economic corridor development (infrastructure and trade), digital connectivity, cooperative management of shared natural resources and disaster risks, and people to people connectivity.

SAR has one of the highest levels of public debt in the world. This is being addressed at the country level through Advisory Services and Analytics (ASA) – including joint Debt Sustainability Analysis (DSA) with the IMF – and lending operations to improve fiscal management, tax reform, and pension management. Human capital development is a priority across the region. Bhutan and Pakistan are early adopters of the Human Capital Project. SAR is applying disruptive technologies to advance inclusive development. Key areas of scaled-up support include enabling policy architecture/environment (Nepal), digital connectivity (Afghanistan Digital CASA, Pakistan Goes Global (planned)), financial services (Afghanistan PAISA), government-technology/smart cities (Bangladesh eGP), human capital (Bangladesh Low Cost Cancer Detection Technology), and disaster management (Nepal EHRP). Urbanization is a critical cross-cutting area for SAR. Continued urbanization will go hand in hand with structural transformation of the economy and better and more jobs. However, there are significant constraints related to poor planning, weak public management and administration, as well as issues with service delivery and infrastructure.

During IDA19, it is expected that SAR will continue to use a range of WBG instruments to address country specific priorities, building on ongoing advisory work, policy dialogue and operational support. Investment project financing (IPFs) remains important across sectors in all countries. This needs to be complemented by development policy financing (DPFs) to reinforce policy and institutional reforms for macro fiscal stability and strengthened public financial management (e.g., Bhutan, Maldives, Nepal), for private-sector led growth and jobs (e.g., Bangladesh, Bhutan, Nepal), and for key sector reforms (e.g., Nepal Energy Development Policy Credit (DPC)). The MFD DPF in Nepal is expected to have a transformative impact in increasing private sector investment. Results based financing will continue to be a key tool in bolstering government's own development programs, such as in education, health, governance and public financial management, and infrastructure. It also enables IDA to participate in sector-wide approaches with other development partners.

SAR countries will also address the five Special Themes of IDA19, building on IDA18 support. To address climate resilience, a range of analytical and financing support is being provided to address water resource management (e.g., Afghanistan, Bangladesh, Nepal, Pakistan), early warning systems and disaster risk management (e.g., Afghanistan, Bhutan, Bangladesh, Nepal, Pakistan), coastal management and fisheries (e.g., Bangladesh, Maldives), climate smart agriculture (e.g., Afghanistan, Bangladesh, Pakistan) and regional climate change initiatives (e.g., South Asia Regional Climate Adaptation and Resilience Program, regional program to address plastics in oceans). Use of Catastrophe Deferred Draw-Down Options (CAT-DDO) is being considered in Bhutan, Maldives, and Nepal.

SAR has a gender action plan focusing on human capital, economic empowerment, voice and agency, and capacity building. Gender platforms have been established in all SAR countries to provide operational support, strengthen targeting, and build knowledge on gender challenges at the country level.

Addressing fragility and conflict is a priority in Afghanistan, Bangladesh, Nepal, and Pakistan. In Afghanistan, fragility and conflict is one of the most critical constraints to poverty reduction. IDA complements the Afghanistan Reconstruction Trust Fund (ARTF). Community-Driven Development (CDD) programs will remain particularly relevant to ensure inclusion and citizen engagement and help the reintegration of people who had been forcibly displaced. In Bangladesh, continued support will be provided to help address the Rohingya refugee crisis that is expected to be protracted and will have longer term development impact. IDA will continue to support Nepal's federalism transition, which constitutes a key source of fragility. In Pakistan, continued attention will be granted to addressing the sources of fragility, with an emphasis on restoring trust between citizens and the governments of Khyber Pakhtunkhwa, the Federally Administered Tribal Area, and Balochistan.

IDA will support jobs and economic transformation through investment projects supporting improvements in infrastructure (e.g., energy, road connectivity), agricultural productivity, and economic diversification. IDA will continue to support investment projects for livelihoods and jobs (including tourism), youth employment, policy reforms for private sector-led growth and jobs (e.g., Jobs DPC in Bangladesh and Bhutan, MFD DPC in Nepal). Jobs platforms have been established in Bangladesh, Bhutan, and Nepal to support the jobs agenda.

Governance and institution building remains a focus of support in SAR countries, including to strengthen fiscal management, public financial management, government databases, and systems to help increase efficiency and transparency of public services.

Key programs being implemented that require continued support through IDA19 include engagements in policy reforms to strengthen fiscal and public financial management and private-sector led growth, governance and institutions strengthening and capacity building, private sector development and economic competitiveness, urban development, infrastructure, human capital development (e.g., education, health, basic services), as well as regional connectivity.

Prospects for future synergies among IDA, IFC, and MIGA

WBG collaboration has expanded during IDA18. Joint diagnostic work and new analytical tools have been rolled out, including a Country Private Sector Diagnostic (Nepal), Infrastructure Sector Assessments (Bangladesh, Nepal), and Deep Dives (Afghanistan Private Sector Development). The Private Sector Window (PSW) is targeted for energy and renewable power generation (Afghanistan Mazar-e-Sharif Gas-to-Power and Kajaki Dam Expansion – planned); manufacturing, agribusiness, and services (Afghanistan); and financial inclusion and affordable housing (Bangladesh). IDA and IFC also jointly support women's economic empowerment (Afghanistan).

Figure 1: Project Example of the MFD Approach in Afghanistan's Energy Sector

Mazar GAS Independent Power Plant (IPP) – Planned

Objectives	Challenges	PSW Implementation	Expected Impact
• Support the establishment of Afghanistan's first IPP • Create a market that will increase private investment in Afghanistan's infrastructure sector	• Fragile state with significant need for power and private sector development • Contractual risks; no track record of government and off taker being counterparts	• PRI with breach of contract cover from the Risk Mitigation Facility for IFC debt, IFC mobilized amount and IFC equity • MIGA to cover breach of Contract and War & Civil disturbance risks using MIGA Guarantee Facility	• Increase access to electricity • Promote greater market competitiveness (first IPP) • Improve resilience through use of indigenous source of energy

Collaboration with other development partners

IDA is helping to leverage resources from development partners (DPs) in different ways in SAR. In Afghanistan, IDA plays an important role in reinforcing ARTF, which provides the largest source of WB-administered financing to Afghanistan and is one of the longest and largest Multi-Donor Trust Funds (MDTF) in the WB (annual grant support of about US$700-900 million based on a three-year financing strategy, complemented by US$250-300 million in IDA annually). The co-financing between ARTF and IDA helps to reduce fragmentation of support, focus on critical national priority programs, and promote synergy and strong coordination.

In Bangladesh, IDA has a strong partnership with DPs in health and education through Sector-Wide Approaches (SWAps). A number of operations are co-financed, including projects in rural electrification and agricultural technology (USAID), private sector development (Department for International Development (DFID)), skills (Canada), while others are expected (for example by the Asian Infrastructure Investment Bank (AIIB) for Bangladesh Municipal Water Supply and Dhaka Water Supply and Sanitation). Coordination with DPs, including the UN, has been critical in responding to the unprecedented refugee crisis that is expected to be protracted. Buy-down form Canada has enabled the WB to quickly access the IDA18 Regional Sub-window for Refugees and Host Communities to meet the health and education needs of the Rohingya refugees. In Nepal, there is a strong partnership with DPs especially around support to government on the federalism agenda and post-earthquake reconstruction. The WB is co-leading with the Swiss government the International Development Partner's working group on federalism and is jointly leading the Federalism Capacity Needs Assessment with the United Nations Development Programme (UNDP). There may be potential co-financing opportunities for key infrastructure projects (e.g., Upper Arun Hydropower Development).

At the regional level, the WBG and the Asian Development Bank (ADB) have collaborated through the Central Asia Regional Economic Cooperation, and South Asia Sub-Regional Economic Cooperation. Bilateral DPs (especially Australia, the UK, and the US) have been important co-financiers of regional trust funds – Transboundary Water; South Asia Regional Trade Facilitation; Program for Asia Connectivity and Trade; and Asia Resilience to Climate Change.

D. East Asia and the Pacific

Approach for reaching the WBG twin goals, the SDGs, and regional development goals

The East Asia and the Pacific (EAP) Region[6] has continued to make good progress towards eliminating poverty, but substantial challenges remain in ensuring inclusion and addressing vulnerability. In Southeast Asia countries, the inclusiveness of growth has been limited. Welfare outcomes remain highly uneven across geographic, ethno-linguistic and religious lines. This was reflected clearly in the Rakhine crisis in Myanmar, but also as a challenge for ethnic groups in Lao PDR (which constitute two-thirds of the total poor). In Cambodia, while poverty fell from 47.8 percent in 2007 to 13.5 percent in 2014 and inequality also declined, vulnerability remains high and the political dimension of inclusion still constitutes a challenge.

In the Pacific countries, extreme poverty[7] is relatively low, but poverty and hardship are widespread across some countries and a significant share of the population remains highly vulnerable. The limited data available suggests that incomes of the bottom 40 percent have grown more slowly in the Pacific than in other countries in East Asia. The small size and remoteness of Pacific countries limit economic opportunities, while the geographic dispersion of their populations makes delivery of services expensive and challenging. Exposure to economic crises and natural disasters heightens vulnerability, particularly in the context of narrow economic bases that hamper the ability to build sufficient reserves against catastrophic economic and natural events. Analytical work of the WB suggests that per capita income levels may be only moderately higher in 2040 than presently without concerted action to address opportunities and constraints.

In resource-rich IDA countries in East Asia and the Pacific (EAP) – such as Papua New Guinea (PNG), Mongolia, and Timor Leste – major challenges remain in effectively managing revenue from natural resources to mitigate risks, creating economic opportunities, investing in human capital and delivering high-quality services.

The EAP region has substantially scaled up its support for IDA countries during IDA18 and built strong momentum for even greater engagement and country demand for finance during IDA19. Most countries have developed their medium-term development strategies, with advisory support provided by the WB. The WB also directly supports various regional organizations/bodies to advance their regional initiatives.

[6] The EAP Region includes Fiji, a Small State which will be reclassified to blend country borrower status starting July 1, 2019. Other IDA countries in the region include Cambodia, Kiribati (Small State), Lao People's Democratic Republic, Marshall Islands (Small State), Micronesia (Small State), Mongolia, Myanmar, Papua New Guinea, Samoa (Small State), Solomon Islands (Small State), Timor-Leste (Small State), Tuvalu (Small State), Tonga (Small State) and Vanuatu (Small State). Additionally, Vietnam is an IDA graduate from the region receiving transition support under IDA18.

[7] Measured as the number of people living under US$1.90/day in 2011 purchasing power parity (PPP) terms.

At the country level, the IDA program will focus on a few critical pillars:

- **Strong support for macroeconomic and public expenditure management.** This is a core pillar active in almost all IDA countries, supported by DPF series in almost all Pacific countries, Mongolia and PNG and active policy dialogue and analytical services in all Southeast Asia countries;
- **Investment to fill key connectivity and energy gaps.** This is reflected in a large transport portfolio in the Pacific countries, PNG, Timor Leste, and Cambodia. There is also a strong engagement in energy (e.g., PNG, Mongolia, Solomon Islands, Lao PDR, Myanmar) to expand access among the poor and to promote renewable energy;
- **A renewed focus on human capital investment.** Substantial investment is being planned for all Southeast Asia countries with a focus on nutrition and delivery of education, health and social support. There is increased attention to human development among some Pacific countries (e.g., Samoa, PNG, Tonga and the Marshall Islands) and Timor Leste, and potentially educational support in Mongolia;
- **Active involvement in the sustainability agenda, in particular green growth policy reforms.** For instance, this work is supported by DPFs in Lao PDR, fishery and coastal management in the Pacific, forestry and land management in Lao PDR and Cambodia, and disaster risk management in Southeast Asia and the Pacific. The emerging priority of addressing marine plastics impacts most IDA countries in the region.
- **Making better use of technology.** Across the board, IDA is emphasizing policy dialogue on how countries can make better use of technology to enhance the efficiency of service delivery and improve access to finance.

IDA is also actively supporting key regional initiatives. In the Pacific, while individual countries priorities for addressing challenges differ, there is generally a strong commitment across the region to various forms of regional collaboration and to the concept of the "Blue Pacific", integrating a strong convergence between healthy oceans, climate change, disaster risk management and economic wellbeing. The 2014 Framework for Pacific Regionalism highlights priorities such as fisheries, climate change and strengthening information communication technology across the region. The Association of Southeast Asian Nations (ASEAN) and Cambodia, Laos, Myanmar, Vietnam and Thailand (CLMVT) are regional bodies that champion regional development and collaboration for all East Asia IDA clients (except for Mongolia). There are strong interests in ASEAN and CLMVT for regional collaboration on infrastructure, energy, and human capital.

Update on IDA18 implementation and opportunities for IDA19

The EAP region has significantly scaled up support to Pacific countries during IDA18. A tripling of financing support for small, remote and limited capacity states has presented considerable challenges, but the IDA18 record so far has been satisfactory, with good momentum underway in many countries due to the following key factors:

- **Maintaining a sharp and strategic focus** has been key to success in delivering this challenging program. This has been effectively guided by the analytical work "*Pacific Possible*" which identified core areas of growth and IDA engagement, including: (i) fully exploiting available economic opportunities – including in agriculture, fisheries, tourism, Information and communications technology (ICT) and labor mobility; (ii) strengthening enablers of growth including macroeconomic resilience, connectivity and service provision; and (iii) addressing key drivers of fragility, including climate, Non-Communicable Diseases (NCD), urbanization and youth, gender and land, and limited institutional capacity. IDA aims to maximize impact by building upon regional platforms in aviation, telecommunications, fisheries, maritime infrastructure, climate and disaster preparedness. Addressing gender equity across the program remains an important priority.

- Delivering the program and generating development impact has also required EAP to continue **efforts at building agility and efficiency.** This started by limiting the number of operations per country and increasing the minimum size. Where possible, IDA has exploited the use of regional or platform-based approaches supporting regional initiatives in aviation, ICT, maritime services, disaster risk reduction, and fisheries. New instruments such as the Programmatic Preparation Advance have been rolled out in several countries to support preparation. To strengthen implementation capacity and ensure effective use of the increased resources, Centralized Fiduciary Units have been established in four countries. Significant capacity building has been undertaken for project management unit staff.

With the scale-up fully underway and momentum being built, EAP anticipates continuity from IDA18 to IDA19, in order to strengthen the benefits to institutions and capacity building arising from IDA18.

Integration of the five Special Themes and cross-cutting issues

In Southeast Asia, IDA is supporting countries to mainstream climate change and resilience into their core development agenda, delivering development goals with low carbon footprints and avoiding being locked into high carbon development pathways in the future. Climate resilience is also integrated into all WB operations and policy dialogue. For the region, we have implemented the corporate requirements of screening 100 percent of operations for climate and disaster risks, promoting resilience measures as needed, undertaking greenhouse gas accounting, disclosing gross and net emissions and applying a shadow carbon price in economic analysis for investment operations.

In Pacific Countries, climate resilient infrastructure, and particularly transport (e.g., aviation, roads, marine), has been a core pillar of the WBG approach and will remain important given the overall infrastructure gap and high costs of ensuring climate resilience across different sectors. Addressing drivers of fragility (including gender and disaster and climate resilience), the IDA program employs a very wide range of instruments including catastrophic and other insurance (e.g., Pacific Catastrophe Risk Assessment and Financing Initiative, CAT-DDO, housing insurance), disaster preparedness (e.g., early warning systems, institutional strengthening), resilience investments (e.g., resilience-focused CDD programs, coastal protection, series of standardized resilient transport operations), and post-disaster support (e.g., Post-Disaster Needs Assessment, triggering of contingent emergency response components (CERC), post-disaster DPFs).

Addressing climate and other drivers of fragility will remain key to IDA19 engagement in the region. To date, US$130 million of IDA resources have been invested in strengthening early warning and preparedness for natural disasters, community resilience, coastal protection and upgrading of key public facilities such as schools and hospitals. Demand for climate adaptation and mitigation is significantly underfunded in the Pacific. The costs of coastal and infrastructure adaptation to changes in rainfall and temperature alone, are estimated to range from US$400 million to US$1.2 billion/year by 2040, and demand for financial instruments to address all layers of risks keeps increasing, thereby ensuring that climate-related activities will continue to be a core feature of IDA19.

Gender action plans are under implementation in all EAP IDA countries, based on country gender assessments. Gender is integrated into key country diagnostics—SCDs and CPFs—for Cambodia, Lao PDR, Myanmar, Mongolia and the Pacific. All WBG operations undergo rigorous screening of gender awareness and assessment for gender tagging. EAP meets the corporate target of gender tagging, but will strive to do even more in the IDA19 period. Women's economic empowerment and gender-based violence (GBV) remain core challenges and focus areas in the region. Through a regional Gender Lab led by the EAP Chief Economist office, the region has invested significantly in developing evidence and learning from successful interventions. Moving into IDA19, we will continue to invest in data, analysis, and evidence-based learning, with a continued focus on women's economic empowerment and GBV.

During the IDA18 period, Myanmar faced major challenges due to heightened *conflict and fragility*. The EAP region has been actively adjusting its engagement focus and recalibrating its approach in Myanmar to ensure a greater focus on inclusion across the program. Continuing this approach will be at the core of IDA's support to Myanmar. In addition to significant conflict faced in Myanmar, IDA countries in EAP also face substantial vulnerability and fragility due to climate and disasters. This is particularly prominent in the Pacific but also in Mongolia. IDA's support is focused mostly on climate resilience (as described above), but also on building macroeconomic resilience. Substantial attention has been placed on fiscal responsibility and expenditure efficiency—through debt management support, core economic diagnostics, country economic updates, and a broad program of DPF engagements (in Mongolia, PNG, Tonga, Samoa, Kiribati, Tuvalu, Fiji, and a new series under preparation in Solomon Islands)—combined with a program to strengthen capacity in primary data collection and statistical analysis.

The WBG has provided strong support for IDA countries in their *job and economic transformation* during the IDA18 period, linking closely to each country's development plan. In Cambodia, our focus has been placed on building the foundations for a new competitiveness trajectory. Through an extensive array of analytic work, IDA has both examined growth trends and the sustainability of existing growth drivers, and made substantive contributions to redefining the economic growth and competitiveness agenda on economic diversification, business climate reforms, entrepreneurship, the digital economy, trade facilitation, logistics, transportation expenditures and jobs. In Lao PDR, our focus has been on green growth and trade and competitiveness. In Myanmar, the focus has been on the economic transition from planned to open market economy. In the Pacific, IDA has continued to deepen its support to areas identified as growth drivers and the priority engagement areas of Pacific Possible—tourism, fisheries, ICT and climate resilience. Throughout IDA19, IDA will increase the DPF series that began under IDA18 and explore new innovations such as combined DPF/CAT-DDOs (as already approved in Samoa) and the scope for a second round of institutional reforms in support of inclusive growth.

Under IDA18, *governance* has been a cross-cutting theme integrated into the programs of almost all EAP countries. It will continue to be a robust engagement area under IDA19. In Mongolia, governance has been identified as the top development challenge and focus of the WB's engagement. The DPF program jointly developed with the IMF, ADB, the Japan International Cooperation Agency (JICA), and Korea is focused on structural policy reforms, with an aim at strengthening public finance and investment management. As currently envisaged in the draft CPF, this focus will not only continue but also strengthen during IDA19. In Myanmar, IDA's focus has been on strengthening the core public sector capacity to mobilize revenue, manage public resources (human and financial), strengthen public investment management and enhance equitable policies. In Lao PDR, the WB's focus would be on addressing wide geographic inequities. The Laos Enhancing Public Financial Management (PFM), through ICT and Skills Project, will contribute to the modernization of the PFM system thanks to the implementation of Financial Management Information Systems. This project is the first of its kind in Lao PDR and will advance the disruptive technology agenda in the public sector. In Cambodia, the WB has engaged in key structural and institutional reforms in the areas of public investment management, government bond issuance and expenditure efficiency. Following on from successful completion of the Modernizing PFM project (ended in 2017), an expansive technical assistance (TA) program will soon be launched to provide support in connecting ongoing core PFM reforms at the center with performance-enhancing public administration reforms and service delivery provision at the sector level. Under IDA19, opportunities will be explored to support Cambodia's implementation of public administration reforms to enhance basic service delivery and boost human capital development. In the Pacific, EAP will continue its long engagement in PFM through DPFs and TA, as well as in sector specific support. PERs will be carried out in a more selective and focused way in IDA19. The region will seek to coordinate with key donor partners on linkages between donor programs and sector-wide approaches to resource management. As noted under the JET thematic area, EAP will also continue to use combined instruments such as DPF/CAT-DDOs as well as regional DPFs if possible.

With regards to *human capital*, the thematic focus is on learning outcomes and nutrition, identified as the major weakness in EAP. The principle is to identify interventions needed in various areas and promote convergence across various government programs. In Southeast Asia, seven IDA-financed human development operations of about US$425 million are under implementation, including Early Childhood Education in Lao, Health Equity and Quality in Cambodia, and Decentralizing Funding to Schools, including Stipends for Poor and At-Risk Students in Myanmar. About seven nutrition-related operations, accounting for US$500 million of IDA financing are under preparation, including four in Lao PDR (across four global practices: Social Protection, Health and Nutrition services, Rural Development, and Water) converging geographically in six provinces to tackle drivers of stunting. Human Capital will be featured in the Economic Monitors/Updates in Myanmar, Cambodia, and Lao PDR and be discussed as the core economic agenda for the countries. IDA has also leveraged substantial grant financing for human development in Southeast Asia. Grant financing of US$90 million was mobilized to expand access to education in Myanmar and Lao PDR and strengthen early childhood education for floating villages in Cambodia. Another US$62 million of finance is under preparation to strengthen community-based nutrition services in Cambodia, strengthen birth and death registration in Lao PDR and improve access and quality of essential health services in Myanmar.

In the Pacific, building on a very limited engagement in human development, IDA has targeted delivery of five human development operations during IDA18, with a focus on early years combined with a general emphasis on service delivery and supporting skills for job growth and labor mobility. IDA18 supports early childhood development in the Marshall Islands, health service delivery and system reform in PNG and Samoa, as well as skills development in Tonga. Proceeding into IDA19, EAP will continue to look for entry points in education and support countries in assessing human development priorities and identifying priority investments, particularly for investments in the early years. Integrating support for nutrition and NCDs with engagements in agriculture, water, sanitation and hygiene (WASH), CDD, DPFs and health projects are also being actively pursued.

Technical assistance for debt policy and *debt management* will continue in all Southeast Asia countries, Mongolia, as well as the Pacific. TA includes debt management performance assessments (DEMPAs), and support for preparation of medium-term debt strategies (e.g., Fiji, PNG, Samoa, Solomon Islands, Tonga, Vanuatu). IDA also supports government and private bond market establishment in Cambodia. EAP will use *development policy lending* to support debt management where appropriate. This includes the Green Growth DPF series in Lao PDR, most DPF series in the Pacific, supporting the ceilings on external borrowing, concessionality requirements, and sustainable fiscal policies, as well as the DPF series in Mongolia.

A *technology* agenda is still nascent in EAP programs. IDA will seek to tap into the rich experiences and vibrant technology industry of East Asia countries (e.g., Singapore, Korea, Japan, China, etc.) to support IDA clients in realizing the benefits technology can bring. A few areas will be explored in particular:

- Analytical support to identify bottlenecks to the digital economy (infrastructure, regulatory, digital economy enabling factors) and recommend policy priorities;
- Lending support to promote smartphone-based interventions and/or build on cable/connectivity projects (in the Pacific), to improve government service delivery, enhance citizen engagement, mobilize communities and improve the evidence base for policies;
- A focus on financial inclusion and access; and
- Mainstreaming ICT-based beneficiary feedback mechanisms across the portfolio.

Building on the major attention and investment envisaged to support the region's large IBRD countries, EAP will also actively support its IDA clients to tackle the growing challenge of marine plastics management. This includes analytical work on the impact of plastic waste and mechanisms to reduce impacts (planned for Myanmar), work with regional bodies (e.g., ASEAN) to increase awareness and building knowledge, as well as plans for integrated interventions in solid waste and environment management and tourism development, etc. Engagements in IDA18 are laying the necessary foundation for important operational support during IDA19.

Prospects for future synergies among IDA, IFC, and MIGA

In Pacific Countries, IDA and IFC have actively explored opportunities for collaboration and have been working together closely in tourism and energy engagements in PNG and Solomon Islands as well as on financial sector reform, capital market development, trade and business environment reform in the context of the joint global practices. Opportunities for harmonizing procedures with IFC have been utilized for public-private partnership (PPP) operations requiring concessional finance. In the context of the Tina River Hydropower Project in Solomon Islands, authorization was provided to submit to the Board a financing agreement for an investment operation modeled on the more flexible document used by IFC in the context of PPP operations.

In Southeast Asia, collaboration examples include Myanmar's Telecom Reform MFD, an ongoing IDA credit of nearly US$32 million toward a telecommunications sector reform project, which has enabled a WBG wide approach and strong support with development partners in Myanmar. IFC has provided financial support for digital development and private telecommunications operators, that included US$193 million in senior/long-term loans, a parallel senior/long-term loan of almost US$423 million from the Asian Development Bank, and US$10 million in equity. MIGA has provided US$512 million in guarantees to private digital development investors. In early 2013, the Public-Private Infrastructure Advisory Facility (PPIAF) also provided a US$540,000 TA grant to the Ministry of Transport and Communications to build a regulatory framework for liberalizing the telecoms market and develop technical and administrative capacity to manage the reform process.

Another example is Myanmar's National Electrification Project MFD. IDA provided a US$400 million credit to support the National Electrification Plan. With IFC, IDA supported the government in systematically raising retail tariffs to achieve full cost recovery for the power sector. It also issued a US$140 million credit to refurbish the 119-megawatt Thaton gas-fired power station. IFC provided transaction advisory support for the competitive procurement of the 225-megawatt Myingyan independent power producer and provided a US$57 million loan, of which US$20 million was syndicated to AIIB. ADB provided a US$42 million loan. MIGA provided political and commercial coverage in the Myingyan project-financing package. IFC Advisory played a key role in close collaboration with the Ministry to improve the contractual framework and tender design. In parallel, IDA provided support for tariff reform and improvement of financial viability of power sector. With improved legal and regulatory framework in place, the government was able to execute a successful transaction that would allow a private partner to build, own, and operate the 225-megawatt gas-fired Myingyan power plant.

New initiatives have been identified for the IDA19 period, including in energy in PNG and Fiji, agriculture in PNG and Samoa, ICT in Tuvalu and Water Supply in Kiribati. In Cambodia, prospects include financial sector reforms and corporate and government debt capital market establishment. In Myanmar, IFC Advisory and FCI have supported improvements to the legal and regulatory framework to strengthen investor protections, streamline investment entry procedures and improve the investment incentive regime. In October 2017, the Directorate of Investment and Company Administration was recognized for its commitment to investment policy reform, receiving the Star Reformer Award at the World Bank Group Investment Competitiveness Forum in Vienna.

Collaboration with other development partners

In the Pacific, the WBG works closely with key development partners, particularly the ADB, Australia and New Zealand, along with regional organizations:

- The WBG in FY17, for the first time, received a waiver from the Board of Directors to apply the procurement rules of ADB so that the two institutions could co-finance a transport sector operation in Fiji in a seamless way.
- Co-financing is undertaken in many areas to increase impact and scale and limit fragmentation for the client, e.g., Pacific aviation with Australia's Department of Foreign Affairs and Trade (DFAT) and New Zealand's Ministry of Foreign Affairs and Trade (for example with navigation aids and fire tenders), Solomon Islands Rural Development Program with DFAT, the EU and the International Fund for Agricultural Development (IFAD), PNG Productive Partnerships in Agriculture with DFAT, EU, IFAD, roads projects in Fiji and Kiribati with ADB. Joint policy reform matrices form the basis of budget support programs for the WBG, ADB, Australia, New Zealand and the EU across a number of countries.
- Partnerships with regional organizations underpin key regional engagements, including the Forum Fisheries Agency (Pacific Oceanscape Program – PROP), and the Pacific Community (PROP and Pacific Resilience Program – PREP) among others.

In Mongolia, the WBG has been partnering closely with the IMF, ADB, JICA and Korea. This includes joint and consistent policy frameworks and coordinated support for macro and sectoral reforms.

Throughout Southeast Asia, the WBG is working very closely with development partners. In Cambodia, partners (including the EU, Sweden, and Australia) contributed to PFM policy formulation and implementation support led by IDA through an MDTF. IDA is also providing knowledge and technical expertise to leverage grant funding in investments in human capital. The upcoming nutrition project mobilized significant donor partner financing (including Australia DFAT, the Global Financing Facility, and the German Development Bank (KfW)) to complement US$15 million. Nutrition projects build on the successful experience of the ongoing Health Equity and Quality Improvement project, supporting a move away from vertical, fragmented donor programs. In Lao PDR, EU recipient and WB executed trust funds of US$5 million (FY19-22) provide complementary TA and knowledge co-financing to an IDA-funded PFM systems project. In Myanmar, an MDTF of US$165 million (FY14-22) financed by DFAT, DFID, Finland and Denmark, provides Bank-executed trust funds (BETF) and Recipient-executed trust funds (RETF) support to complement community driven development, education, PFM and Extractive Industries Transparency Initiative (EITI) operations and various programmatic ASA.

E. EUROPE AND CENTRAL ASIA

Approach for reaching the WBG twin goals, the SDGs, and regional development goals

The Europe and Central Asia (ECA) Region[8] is at a turning point with risks tilted to the downside. Growth peaked in 2017 and global risks have risen. Slow progress on shared prosperity and high poverty remains in lagging countries. Generally, countries struggle with weak competitiveness and challenges in adapting to faster innovation. WBG's strategic focus therefore will be a continued focus on strengthening productivity and resilience through solid foundations, enabling markets, and productive individuals. This includes the five IDA countries: Kosovo, the Kyrgyz Republic, Moldova, Tajikistan (FCV pilot) and Uzbekistan (IDA/IBRD blend), where the thrust of the focus will be on Jobs and Economic Transformation, Sustainability and Climate change, and Governance and Institutions.

The region intends to leverage national IDA allocations available to five ECA countries as much as possible through IDA special windows: specifically, from Regional Program (reflecting strong increase in demand in the region, which could benefit from a much larger allocation of up to US$500 million in IDA19), and the Scale-Up Facility (SUF), depending on the eligibility of countries to access the facility.

8 The ECA Region hosts five IDA countries: Kosovo, the Kyrgyz Republic, Moldova, Tajikistan (FCV pilot) and Uzbekistan.

Figure 2: Strategic Priorities in Europe and Central Asia

Jobs and Economic Transformation	Sustainability and Climate Change
The WBG is responding to transformational opportunities. In Uzbekistan, DPOs have opened space for private sector growth and job creation. New interventions are being designed to catalyze privatizations and PPPs in the banking, chemicals, and solar sectors. Other examples of JET-relevant interventions include the Kosovo Youth Inclusion and Entrepreneurship Program, the Kosovo Digital Economy project, Skills and Jobs for a Digital Age in Moldova, Early Childhood Education in Uzbekistan, and the Tajikistan Community and Youth Resilience Program. **The IDA Private Sector Window (PSW)** has been used to provide concessional financing to enable IFC investment in the firs-of-its-kind private equity fund for SME investments in the Kyrgyz Republic. It is expected to spur creation of a local private equity market for SMEs by addressing perceived risks. **The Creating Markets Advisory Windows (CMAW)** has been leveraged by IFC to conduct upstream work on developing a sustainable cotton market in Uzbekistan, scoping for telecom privatization, supporting dairy value chain development the Kyrgyz Republic, and mapping automotive SMEs in Kosovo. **MIGA** has helped deploy political risk insurance guarantees in Kosovo and Moldova's financial sector, and is looking for a similar opportunity in Uzbekistan.	**The WBG is promoting reliable energy and stewardship of the environment in Kosovo.** The WB is scaling up its current engagement on Energy Efficiency (US$31 million), started in FY14, with an additional financing of 10 million euros from the European Commission in FY19. The joint donor effort has led to the creation of an Energy Efficiency Fund, which will ensure a sustainable institutional and financing mechanism for the future. The WB is also expanding its engagement in the water sector (currently US$24 million) started in FY17, with an additional US$40 million in FY20 to support Kosovo in implementing a comprehensive water management strategy. IFC is looking at wind and solar projects in the country to help diversify the energy mix and reduce reliance on obsolete coal-based generation.

Governance and Institutions ***For inclusion, regional integration, and more effective government***		
In **Moldova**, the WBG is strengthening cadaster management (including through equal property rights for women), reducing fiscal risks and levelling the playing field for private investment, and increasing in the reliability of electricity supply through links with the European electricity market.	In the **Kyrgyz Republic**, the WB's Economic Governance DPO and the Local Integrated Development Project focus on strengthening government capacity.	In **Tajikistan**, projects under the FCV umbrella have helped support institution building in the agriculture and tourism sectors. Energy sector governance is also covered under the Power Sector Financial Recovery Project.
In **Kosovo**, the WB aims to strengthen capacity and institutions through the Financial Sector Strengthening Project and the Real Estate and Geospatial Infrastructure Project.	In **Uzbekistan**, a DPO and Institution-Building loan are supporting the restructuring of the whole economy.	At the **regional level**, the IDA Regional Program has been used to support regional integration in Central Asia and expansion to South Asia (Digital CASA), regional disaster risk management with the EU, and Central Asia railroads.
IFC is leveraging PSW and CMAW to scale up delivery in IDA FCS. IFC's Investment Climate and Corporate Governance advisory and interventions to improve access to finance for MSMEs remain an integral part of IFC's programming with IDA.		
MIGA is also supporting mobilization of private sector investments in the most challenging markets through PSW.		

Overview of current portfolio and opportunities for IDA19

Since 2005, regional projects have steadily increased and gained importance in ECA. This is not only the case in Central Asia, where the opening of Uzbekistan has provided new incentives for regional projects, but also in South Asia. Beyond Central Asia, there may be additional potential in the Western Balkans for an increased amount of regional integration projects under IDA19.

The current active lending portfolio of Central Asia regional projects comprises nine regional projects valued at US$886 million (including CASA-1000). Several more are in the pipeline, including a series of investment operations under the Digital Central Asia South Asia (Digital CASA) Regional Program as well as the Central Asia Regional Links Program. In addition, the WB is managing multiple trust funds to support regional dialogue. Many are ongoing under the rubric of the Central Asia Energy Water Development Program (CAEWDP) or coordinated with the Central Asia Regional Economic Cooperation Program (CAREC).

IDA countries and other Development Partners, like the European Union and the ADB as well as Russian and Chinese institutions, are looking at the WB to increasingly play a leading role in the regional integration and connectivity agenda, including physical infrastructure, as well as on the knowledge and institution building front.

The current volume of IDA18 Regional Program's allocation to ECA may not be sufficient to carry out a much larger program and meet expected demand during IDA19. An allocation of approximately US$500 million would help to meet the increasing demand in the region.

Given the above, ECA is currently preparing a regional engagement note (the main focus being on Central Asia and beyond), which shows a very large potential and demand of multiple regional integration/cooperation projects (across WB Vice Presidential Units) on climate/environment, water, digital connectivity, agriculture, trade and transport and energy (trade and connectivity), which the WBG is uniquely placed to lead on.

F. LATIN AMERICA AND THE CARIBBEAN

Introduction

The slow recovery in economic growth[9] following the 2016 downturn in the Latin America and the Caribbean (LCR) Region[10] threatens hard-won social gains from the past decade and prevents progress towards achieving the WBG twin goals and the SDGs. IDA countries in the Region remain exposed to persistent high levels of poverty (extreme poverty in Haiti stands at 24 percent according to the latest estimates[11]), enduring social and environmental vulnerability[12] and inequality in access to basic services. All together, these challenges have been hindering the countries' potential to build human capital and increase productivity, hence preventing durable progress towards sustained inclusive growth. Reaching the WBG's Twin Goals and SDGs will require multi-faceted efforts, in particular increasing access to and improving the quality of basic services and addressing structural constraints to growth. Finally, building economic, social and environmental resilience will remain key to maintaining progress towards the SDGs, as exposure to devastating natural disasters can cause enduring negative social and economic effects, diverting

[9] GDP growth averaged 0.6 percent in 2018 and 1.1 percent in 2017 in LCR

[10] IDA countries include Dominica (Small State), Grenada (Small State), Guyana (Small State), Haiti, Honduras, Nicaragua, St. Lucia (Small State), and St. Vincent and the Grenadines (Small State). Additionally, Bolivia is an IDA graduate from the region receiving transition support under IDA18.

[11] Estimates for Haiti are for 2012. Between 2005 and 2015, poverty – defined as people living with an income below the US$3.2 per person per day (2011 PPP) – fell from 41.4 to 32.2 percent in Honduras and from 28 to 11.6 percent in Nicaragua. At the same time, the share of the population with incomes below US$5.5 per day (2011 PPP) decreased from 60.8 to 50.4 in Honduras and from 55 to 33.2 percent in Nicaragua.

[12] Based on data from 2014, the country had one of the largest vulnerable populations in LCR with 43 percent of the population (~ 2.6 million people) with an income between US$5.5 and US$13 per person per day. This group could fall into poverty if the crisis continues. In Honduras, the slowing of growth in 2018, originating from declines in the labor-intensive agricultural sector in conjunction with depressed coffee prices, is expected to affect the income of agriculture-dependent families, the majority of which are poor, and further slowdown poverty reduction efforts.

scarce resources from development and social spending toward reconstruction efforts (this is particularly the case in Haiti and the Caribbean).

Approach for reaching the WBG twin goals, the SDGs, and regional development goals[13]

The WBG has identified the following priority areas for strategic engagement in the region: (i) setting the stage for economic recovery, (ii) strengthening infrastructure services and (iii) investing in human capital and protecting the poor. In addition, the WBG focuses on two cross-cutting themes of particular relevance for the region: (i) sustainability and resilience (both environmental and social); and (ii) transparency and accountability. Inclusion will remain a critical component of the IDA program in the Region. These priority areas and cross-cutting themes were very closely aligned with the priorities and Special Themes for the IDA18 Replenishment and are expected to remain highly relevant in IDA 19.

IDA has supported and will continue to support economic recovery across countries in the region, helping catalyze macro-fiscal reforms to strengthen growth, promoting economic opportunities and enhancing competitiveness of existing industries to support private sector growth. For instance, the IDA program in Haiti promotes Inclusive Growth by supporting the development of greater economic opportunities outside of Port-au-Prince, by increasing agricultural productivity and energy access (including through the development of renewable energy), improving access to finance and financial inclusion, and supporting Haiti's competitiveness and private sector-driven growth. In the Caribbean, policy engagement with Grenada is helping catalyze macro-fiscal reforms and implement the government strategy for "blue growth". The Fiscal Resilience and Blue Growth DPF series operation, the first blue growth DPC, took a comprehensive approach to strengthen macroeconomic, fiscal and environmental sustainability, and resilience to shocks. IDA will continue working with countries in the region to strengthen fiscal responsibility frameworks (e.g., Grenada, St Lucia, Saint Vincent and the Grenadines, Guyana), and undertake climate change policy assessments in collaboration with the IMF to assess and evaluate vulnerabilities to disasters (e.g., St Lucia and Belize). In addition, technical assistance and advisory is provided to support fiscal resilience through formulating fiscal rules, counter-cyclical fiscal policies that create fiscal space for reconstruction and investments (e.g., Grenada, Saint Vincent and the Grenadines). Another example is IDA's support in Honduras, which will continue to enhance the competitiveness of the agricultural sector. It will focus on modernizing climate smart agricultural tools, increasing cultivation of crops with high export potential, providing capacity building to help meet changing market demands, and modernizing the institutional and regulatory framework required to promote agribusinesses with stronger private financing.

Strengthening infrastructure and infrastructure services will remain a priority in the Region. IDA support is expected to continue in this area, with a particular focus on water and energy security. In Nicaragua for instance, IDA has been implementing a community based rural water and supply sanitation program to reduce the risks of water borne diseases. The program focuses on increasing access to water supply and sanitation services in rural areas while strengthening the government's

[13] The described approach for Honduras assumes that the areas of engagement under IDA18 (not yet committed) will remain a priority in IDA19. To deepen the engagement, successful IDA18 operations would need to be scaled up with additional financing. Similarly, for Nicaragua, information will need to be updated as the pipeline evolves based on the Government's demand and the country situation advances to allow for IDA to resume its lending in the country.

institutional capacity for coordination, planning, operation and maintenance in order to assure the sustainability of these services. Unfortunately, due to the crisis, implementation is proceeding but at a slower pace to ensure that high standards are met. Similarly, in Honduras IDA will build on the advances made under the Water Sector and Modernization Project to support decentralization efforts and improve water services in Tegucigalpa. By the same token, through the Sustainable Rural and Small Towns Water and Sanitation Project in Haiti, IDA will continue to support the expansion of access to clean water and improved sanitation in small towns and priority communes where cholera and other water-and excreta-related diseases are prevalent, while strengthening the water authority for planning, budgeting and management of the sector. IDA will also continue to strengthen water security in the *Dry Corridor* area, a geographic area covering parts of Honduras, El Salvador, and Nicaragua, which is highly vulnerable to climate shocks. These countries are cyclically affected by climate variability, with periods of drought and intense rainfall often requiring emergency response from authorities. Strategic assistance and investments in infrastructure with a focus on mobilizing finance for development, plus a regional approach for strengthening institutions for climate resilience, would allow for enhanced water governance, food security, energy generation, human development and economic growth.

<u>Social and environmental resilience</u> remains at the core of IDA's approach in LCR and will continue through IDA19. Implementation of critical and transformational programs to build holistic resilience in the Caribbean will continue through IDA19, through deeper engagement on regional resilience and support for regional integration through facilitating the movement of people and goods, by assessing the feasibility of an Organisation of Eastern Caribbean States (OECS) regional ferry. In addition, utilizing its convening power, IDA will work with private technology providers to build-in wireless connectivity solutions (Google's Loon project) for times when the islands are struck by natural disasters. Results from the Grenada Digital Governance for Resilience Project, the first technology-driven project to be prepared for Grenada and expected to be delivered in FY20, are expected to materialize through IDA19. IDA's support to Dominica's Post-Hurricane Maria reconstruction and to strengthen Guyana's education system are also expected to continue through the next IDA cycle. An important support through IDA19 will be to continue strengthening institutional reforms in Guyana's financial, fiscal, and extractives sectors to enhance governance and transparency, in the wake of the large inflow of fiscal resources from the recent oil discovery (scheduled production in early 2020). A programmatic DPC series supporting financial and fiscal stability to enhance the Government's ability to deal with financial sector shocks, develop a sovereign wealth fund and robust fiscal rules, are among the reforms being crafted with WB support that will continue to IDA19.

In Haiti, the IDA program is aiming at improving resilience by helping better understand risk, and improving preparedness and response to natural disasters (US$80 million in IDA investments complemented by US$5 million to support Hydrometeorological capacity financed by the Pilot Program for Climate Resilience (PPCR)). IDA is also scaling up investments (US$35 million) to improve early warning and emergency evacuation capacity in high climate risk-prone areas to save lives through the provision of and accessibility to safe havens. It also aims to strengthen resilience to climate change, strengthen urban resilience by reducing risks associated with flooding and climate change related effects, strengthen municipal capacities for better management of land use and urban expansion (US$48.4 million), and improve selected urban infrastructure and public spaces to support a more livable and resilient urban development (US$45 million). IDA is also building and upgrading resilient infrastructure in Haiti with investments to increase all-weather road access and improve resilience of the road network (US$75 million), international airports' air transport capability, and resilience to climate change and natural disasters (US$30 million). Program-wide, IDA operations also contain emergency components that can be triggered to respond to relevant shocks and emergencies.

Central American countries, including Honduras and Nicaragua, have also requested help with identifying regional solutions to advance the resilience and disaster risk management (DRM) agenda in the region, and deepening regional integration among the Northern Triangle and Mexico to assist them in addressing the economic and social fundamentals of migration. To that end, IDA has structured its engagement as a continuous process to identify priorities and validate them in the region, through a consultative forum.

Governance and Institutions building is another strategic priority in LCR. The IDA program in Haiti aims to improve Governance, by focusing on interventions to strengthen the effectiveness of the State including: public financial management, Government capacity to produce key data such as the next household census, manage sectors, and set evidence-based policy priorities. In this context, the WBG is financing a statistical capacity building operation (US$20 million under implementation) for the next household census and an integrated financial management system. In Honduras, a "governance lens" is being applied to operations under preparation, ensuring that they not only focus on sector priorities, but also account and address governance weaknesses in the respective sector. In Nicaragua, IDA is supporting public modernization through a US$35 million credit focused on enhancing the efficiency and transparency of the government's public expenditure management and strengthening its statistics management capacity.

Integration of cross-cutting themes

IDA program will continue to focus on human capital development, by investing in basic service delivery in education and health, strengthening safety nets for the poor and strengthening resilience to shock. Specific country programs include, in Haiti, support on investing in basic service delivery in education and health, with attention to closing geographical and income gaps in service delivery, improved education quality in public and private schools, combatting cholera through combined health and water interventions, and by continuing policy work on social protection. IDA supported the setup of building blocks towards the establishment of a Quality Assurance System in Haiti and helped curb the cholera epidemic with the disease's incidence at a historic low (less than 20 new suspected cholera cases per week, compared to over 2,000 per week at the peak of the epidemic and no laboratory-confirmed cholera cases since January 2019, indicating that cholera transmission has been disrupted).

In the Caribbean, IDA will continue to support improvements in education and health, and strengthening of safety nets to protect the poor from the impact of climate shocks. For example, an important engagement in the education sector in Guyana[14] aims to contribute to improving learning outcomes and teaching practices at the primary, secondary and tertiary levels.

In Honduras, IDA will support early childhood development to address deep and persistent disparities in education access, which continue to be a barrier to long-term poverty reduction, by

[14] Including two IPF operations, the Education Sector Improvement Project (US$13 million) and the Secondary Education Improvement (US$10 million).

leveraging a grant from the Global Partnership for Education (GPE), which seeks similar results. In Nicaragua, IDA has supported the expansion of quality health care focused on the poorest municipalities through two IPFs, as well as investments in the quality of primary and secondary education teachers and learning spaces.

The IDA program in Haiti is integrating Disruptive Technology by piloting the use of blockchain technology in our Business Development and Investment Project to allow farmers to keep ownership of their produce until final market, sheltering them from middlemen.

The IDA program in Haiti is targeting Disability. With support from the Professional Human Resource Development (PHRD) project, IDA is promoting diversity and inclusion by supporting a pilot program targeting one of the most vulnerable social groups, People with Disabilities (PwDs). The Improving Access to Social Services and Employment Opportunities for Persons with Disabilities Project will develop and populate a Registry of PwDs to help increase their access to social services as well as help the government improve targeting in social protection.

Update on IDA18 implementation and opportunities for IDA19

The Rural Competitiveness Project (COMRURAL) is currently the Honduras' flagship project for promoting agricultural competitiveness and exports and contributes to implementing several IDA themes: (i) Maximizing finance for Development, (ii) climate change; (iii) gender; and (iv) jobs and economic transformation. COMRURAL, approved by IDA in 2008 (US$23 million) and expanded through an Additional Financing in 2017 (US$25 million) is widely recognized throughout Honduras for its success in linking smallholder farmers to domestic and international markets. This success has been achieved through support to commercial production and post-harvest value addition structured under the "productive alliances" model. The preparation of the second phase (US$75 million) is already underway for delivery by the end of FY19, and a follow-up operation is planned to continue building on COMRURAL's success. Through an additional financing to COMRURAL, IDA will continue to make value chains not just more competitive, but also more inclusive for vulnerable groups such as youth, women and indigenous people, creating new and higher skilled employment opportunities along the value chain, such as in agro-processing, marketing, and logistics. In addition, an operation focused on strengthening the country's capacity for water resources management and improving water harvesting in its *Dry Corridor*, an area highly vulnerable to climate change, is under preparation. Sustainable and efficient water resources management is critical to sustain the main productive sectors in the *Dry Corridor* and diminish the high rates of rural poverty stagnant over the last 10 years.

The emergency engagement with Dominica in the aftermath of Hurricane Maria was successful in helping the Government respond to the disaster. Category 5 Hurricane Maria struck Dominica on September 18, 2018, causing severe damages and losses amounting to more than 200 percent of the island's Gross Domestic Product (GDP). Working closely with the Government and development partners, IDA led a Post-Disaster Needs Assessment prepared in record time and presented at UN-CARICOM organized donor pledging conference. IDA was the first to come with support for the country's reconstruction efforts through all possible windows, including using the CERC component of its existing portfolio and accessing the IDA Crisis Response Window (CRW) on grant terms. IDA funding was mobilized immediately through a Contingent Emergency Response Component under the existing Disaster Vulnerability Reduction Project, of which US$7 million was drawn. In addition, US$50 million was provided from IDA's CRW to finance two emergency projects[15] aimed at restoring agricultural livelihoods, contributing to the recovery of housing damaged by the hurricane, and strengthening climate resilient practices in the agriculture and housing sectors to mitigate the impact of future disasters.

Prospects for future synergies among IDA, IFC, and MIGA

In Haiti, stepped up efforts are being deployed to create opportunities for WB/IFC collaboration to add more value to public and private sector clients. A joint WB/IFC roadmap has been developed to: (i) deepen collaboration on renewable energy; (ii) assess urban challenges around IFC investments in secondary cities; (iii) identify possible PPPs between municipalities and private operators to deliver water and solid waste services and potentially health services; and (iv) explore the use of the IDA18 IFC-MIGA PSW to support renewable energy and financial services. MIGA is looking to support this roadmap through both its traditional political risk insurance guarantees as well as through the IDA18 IFC-MIGA PSW as private sector demand materializes. Concrete steps to advance this agenda, particularly on agribusiness, have been identified and progress will be tracked jointly by IDA, IFC and MIGA.

The PSW has allowed IFC to explore riskier transactions and provide local currency financing in Haiti in FY18. Two projects in the financial services and beverage industries totaling US$14 million were processed. A trade line of US$10 million to support one of the local banks' issuance of letters of credit to its existing and new market segments is also under consideration. One of these projects will allow the expansion of credit specifically to Small and Medium Enterprises (SMEs). As of January 8, 2019, IFC's portfolio comprised eight projects with an initial commitment of US$118.45 million (including US$50.98 million mobilization). Two investment projects were approved by the Board in December 2018 and are pending commitment. Aside from one problem loan which is being restructured, portfolio performance remains solid. Under the recently launched Creating Markets Advisory Window (CMAW) under IDA18, additional advisory programs have been approved in IFC priority sectors including solar energy, agribusiness, capital markets, SME value chain and construction.

IFC and the Multilateral Investment Guarantee Agency (MIGA) face challenges in the OECS due to the small size of markets. In this region, the IFC is focusing on tourism, infrastructure, and agribusiness, in addition to continually pursuing viable public-private partnership (PPP) opportunities. IFC currently has an active portfolio in both investment and advisory projects, with four active investment projects, focusing on tourism, insurance and distressed asset relief. Going forward, IFC will seek further opportunities for engagement with private sector, especially in relation to connectivity.

Collaboration with other development partners

Given the many challenges faced by IDA countries in the Region, collaboration with other Development Partners is critical to achieve long term results. Examples of effective collaboration at country level are provided below.

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15 The *Dominica Emergency Agricultural Livelihoods and Climate Resilience Project* (US$25 million) and the *Dominica Housing Recovery Project* (US$40 million).

In Haiti, of particular relevance are the partnerships with UN agencies as well as with USAID, the Center for Disease Control, the Caribbean Development Bank, and the French Development Agency, which are yielding positive outcomes on health and education service delivery. Close collaboration and complementary coordination with the Inter-American Development Bank is helping close the gaps on education access and quality as well as extend coverage of water and sanitation, and jointly with Canada strengthening the country's statistical capacity, including through support to the fifth General Census of Population and Housing after a 14-year-hiatus. The disaster response agenda is seeing some positive developments thanks to the close collaboration with Japan and the UK. While significant results have yet to be sustained, the reforms on energy are supported by multiple donors in Haiti.

IDA's engagement in the Caribbean strengthens our partnerships with other development partners, regional banks, as well as multilateral and bilateral donors. The WB managed to leverage trust fund resources in support of IDA18 programs by building and strengthen capacities, while in other cases complementing financing. This year, the World Bank has secured financing from the European Union to enhance long term resilience and adaptation capacity in the LCR region through various advisory and financial services and analytics to strengthen the evidence and capacity for disaster risk reduction and financial resilience at regional and national levels, as well as through co-financing of investments in resilience. The Canada-Caribbean Resilience Facility (CaRes), a US$15 million single-donor trust fund, will support more effective, gender-informed and climate-resilient preparedness, recovery and public financial management in the Caribbean. Moreover, the trust fund will support a "resilience governance" approach by assisting governments to mainstream resilience and gender considerations across the PFM cycle. Proposed activities aim to strengthen the capacity of governments within the region to integrate required gender-responsive processes into their PFM practices/public sector management during natural disasters, as well as subsequent responses.

Collaboration with the Caribbean Development Bank (CDB) is also strong. IDA and the CDB are jointly financing the Ports Modernization Program in Saint Vincent and the Grenadines, which aims to improve the efficiency and reliability of regional cargo and passenger ferry operations in Kingstown's port. The joint project will aim to expand terminal facilities for long range vessels, intra-regional cargo ships, and inter-island ferries, while seeking to improve road traffic management in the port area to facilitate the insertion of port-related activities within the urban fabric. Moreover, the Bank and the CDB are exploring the possibility to mobilize resources from the European Union's Caribbean Investment Facility to scale up the Housing Recovery Project in Dominica, which currently provides subsidies to 1,700 households whose houses were destroyed by Hurricane Maria.

The Global Risk Financing Facility (GRIF) is likely to be another key instrument of collaboration with development partners to build resilience in the Caribbean. GRIF is a US$145 million MDTF funded by the United Kingdom and Germany and launched during the 2018 Annual Meetings in Bali. GRIF aims to establish and/or scale up pre-arranged risk financing instruments, including market-based instruments, to enable earlier and more reliable response and recovery to climate and disaster shocks, and over time to a wider range of crises. The United Kingdom also supports the Caribbean Financial Solutions Program (CFSP – part of a US$15 million SDTF funded by DFID), which provides technical assistance in support of countries' fiscal and disaster preparedness efforts.

In Honduras, in the agriculture sector, IDA will continue to be part of the *Alliance for the Dry Corridor* (*Alianza para el Corredor Seco*), which relies on evidence-based research and best practices from all major food security donors in agriculture and health in the country, such as USAID, the European Union, and the Canadian International Development Agency. In the education sector, IDA will continue collaborating with the Global Partnership for Education (GPE) and the European Union (EU) on promoting education access and quality. In the area of DRM, IDA will coordinate closely with the Inter-American Development Bank (IDB), who is the key partner in this area of development. IDA will continue to work closely with a number of development partners engaged on citizen security issues, including with USAID on a potential partnership on its Central America strategy for security issues, with a focus on evidence-based interventions for violence prevention. The German Agency for International Cooperation is also working on the implementation of evidence-based interventions for violence prevention. IDA in partnership with the Japan Social Development Fund, will focus on early childhood development targeting historically excluded groups, such as the Garifuna in Honduras. IDA support will also build on other partners' efforts in the energy sector, such as the IDB, the Central American Bank for Economic Integration (CABEI), the German Development Agency, and USAID.

G. MIDDLE EAST AND NORTH AFRICA

Approach for reaching the WBG twin goals, the SDGs, and regional development goals

WBG's adaptive support to Middle East and North Africa (MNA) is informing global development practice at the nexus of FCV and Small States. MNA has just two active IDA clients – Yemen and Djibouti – one historically the poorest country in the region again subsumed in conflict, the other a Small State grappling with its own development priorities while being buffeted by exogenous shocks and spillovers from an unstable neighborhood. In both cases IDA support has found creative approaches to some of the most challenging and intractable development issues.

Update on IDA18 implementation and opportunities for IDA19

In Yemen, IDA has helped pioneer a new operational model that is delivering results and saving lives amid a protracted crisis. In Djibouti, IDA has operationalized a program that responds directly to the country's complex development challenges and limited implementation capacity while also providing additional resources to respond to regional effects of food insecurity and the impact from an influx of refugees and migrants.

IDA in Yemen

Since 2014, Yemen has been subsumed by conflict that is placing Yemenis at the epicenter of interrelated emergencies that the United Nations describes as the *"world's worst humanitarian crisis"*.[16] More than three years of fighting have devastated the economy and destroyed critical infrastructure, leading to chronic food insecurity verging on famine and creating the conditions for the world's largest cholera epidemic.

[16] See UN Office for the Coordination of Humanitarian Affairs press release on 2019 Humanitarian Needs Overview for Yemen report.

- Current WBG support to Yemen is emblematic of the tailored engagement in FCV envisaged under IDA18. Drawing on more than two decades of assistance, IDA was able to respond rapidly to the onset of conflict. Longstanding engagement at the sectoral level and strong WBG/UN partnership are defining features of IDA's operating model. IDA's convening power was used decisively to leverage financing and knowledge, coordinate with the UN's in-country implementation capacity, and to mobilize a multidimensional operational response and is trialing operational modalities to address the compound crises that are increasing in frequency, complexity and duration worldwide.
- A large share of IDA support is channeled through resilient service delivery institutions it helped establish during more than two decades of sustained prior engagement. IDA has engaged effective local institutions to manage and deliver critical assistance such as the Yemen Social Fund for Development and the Public Works Program both of which were established with earlier IDA support. These critical institutions represent the few functional delivery mechanisms by which Yemenis can receive essential benefits. If sustained and strengthened, these institutions are expected to play an essential role in the immediate term, and throughout Yemen's transition to peace and stability.
- The formation and preservation of human capital are central objectives of the IDA crisis response and are delivering results. The decrease in economic organization, in investment, the damage to social networks and communities, health and education systems will take a long time to overcome and indicate that the effects of the conflict on human social capital will continue to be felt by Yemenis long after stability returns.
- IDA18 resources for Yemen have now been exhausted and will be insufficient to sustain the existing program without further support. The IDA18 FCV Paper for the Mid-Term Review (MTR), concedes that the Performance Based Allocation (PBA) system *"is not designed to respond in active conflicts"* and that as Yemen descended into a profound economic and humanitarian crisis its core IDA funding declined "*precipitously*" with the FY18 allocation "*lower than expected"* and the FY19 "*the lowest per capita allocation among IDA countries"*.
- A defining challenge for IDA19 in Yemen and other countries mired in fragility, conflict and violence, will be to balance emergency support while retaining the flexibility and agility to expand development support as conditions allow. IDA is well-placed to play this role and to help outline an approach that will respond to post-conflict recovery, reconstruction and development needs and that will help sequence and coordinate future IDA and international assistance.[17]

IDA in Djibouti

- IDA is supporting the country's Vision 2035 by providing a focused program addressing human capital, private sector development and job creation. Djibouti reflects the duality and complexity that can exist in Small States. Capitalizing on its strategic geographic location, the economy has grown at an average of 8 percent over the period 2013-18 even as more than 20 percent of the country's population of 800,000 remains in extreme poverty and increasingly concentrated in the capital city. Active projects include those addressing

[17] Bank Operations in Active Conflict – Operational Experiences in Yemen since 2015 – A Lessons Learned Study (forthcoming).

urban poverty, malnutrition and stunting, and MSME development with a focus on women and youth.

- Djibouti has made effective use of an additional IDA18 allocation from the refugee and regional windows that is having a demonstrable impact. Many Small States face the challenge of marshalling limited implementation capacity even as they remain vulnerable to external shocks. Djibouti received an additional US$32 million allocation from IDA18 (US$20 million from the Refugee Sub-window and US$12 million from the Regional Window – almost 40 percent of its original core allocation) that has helped host, migrant and refugee communities and helped Djibouti respond to food insecurity affecting the Horn of Africa.
- Demand for IDA19 resources remains high to support an ambitious program and to safeguard development gains from regional spillovers. Future IDA support is expected to target energy sector reform identified as a binding constraint to competitiveness and private sector development; the telecoms sector – a central piece of Djibouti's vision to become an ICT hub in the Horn of Africa; and to unlock trade and investment with neighbors (including Ethiopia) by improving transport and logistics connections.

II. SELECTED COUNTRY BRIEFS

A. DJIBOUTI

Overview

Djibouti's economy is going through transformation with reduced poverty levels. Real GDP growth averaged four percent over the period 1999-2013, before accelerating to eight percent in 2014-2018. Extreme poverty declined slightly from 23 percent in 2013 to 21 percent in 2017, but with high regional disparity in poverty incidence in Djibouti-city, with 13 percent, and 30 to 65 percent in other regions. About 85 percent of Djibouti's one million inhabitants live in an urban setting, while urban growth continues to rise steadily due to high migratory pressure, fueling poverty and slums. As of December 2018, Djibouti hosted 18,052 refugees and 10,244 asylum-seekers, mostly from Ethiopia, Eritrea, Somalia and Yemen. This number does not include the increasing number of unregistered refugees, estimated to be more than 150,000 individuals. Djibouti is facing pressure to provide health and education services to these refugees and host communities. Stunting continues to be a persistent problem, reaching 30 percent for under-five children, while expected years of schooling remain also low with 8.8 years before adulthood.

Djibouti faces many key development challenges. While Djibouti has built several key logistics infrastructures (to cater to the increasing demands of its large Ethiopian neighbor), job creation remains elusive. The country will also need to take steps to connect the poor that live at the various peripheries, outside the formal labor market or in the rural heartland, in nomadic groups, or in city slums. Djibouti also needs to modernize public institutions.

The government of Djibouti continues to work towards the objectives laid out in its Vision 2035. The country's long-term development plan focuses on economic diversification and competitiveness, governance, human development and regional integration. First, Djibouti is increasingly turning to the private sector to support its growth objectives, diversify its economy and create jobs for the population. Second, the government of Djibouti seeks to strengthen its institutions, build the trust between the state and its citizens, and enhance accountability. Third, the country is aiming to build a healthy and educated workforce. Lastly, benefiting from its geo-strategic location (as the gateway to Sub-Saharan Africa), Djibouti aims to play a greater role in the region's economy.

Approach for reaching the WBG twin goals, the SDGs, and country development goals

The World Bank Group is preparing a new CPF that will be firmly embedded in the country's Vision 2035 and SCD findings. The planned CPF will focus on three areas: (1) Jobs, to support private sector investments and stimulate job creation; (2) Human Capital, to support investment in people; and (3) the State, through the modernization of public institutions. Digital development and maximizing finance for development will be anchored in the CPF. Djibouti is already benefiting from several operations that support IDA18 policy commitments, including: Public Administration Modernization Project (US$15 million) to enhance the country's governance systems, improve the business climate, and build institutions; Integrated Slum Upgrading Project (US$20 million) to improve the living conditions of people in Djibouti's slums; Zero Stunting Project (US$15 million) to support a holistic approach addressing malnutrition and stunting; and

Support for Women and Youth Entrepreneurship Project (US$15 million) to stimulate entrepreneurship to promote self-employment and reduce poverty. Several operations are also in the pipeline and will be delivered in FY19 to: (i) support and expand social safety net (US$15 million), improve access and quality of preschool and basic education (US$28 million of which IDA will provide US$15 million), and (iii) create a center of excellence in logistics and transport attached to the University of Djibouti (US$15 million).

By the end of FY19, IDA18 allocation will be fully utilized. Djibouti received a US$84.1 million base allocation and additional IDA funding from the Refugee Window and the Regional Window of US$20 million and US$12 million respectively. The current IDA portfolio amounts to $164 million and focuses on social safety nets, energy, rural community development, urban poverty reduction, health, education, private sector development, energy, and better governance and public administration modernization. The IDA funded projects have largely contributed to the government development agenda (e.g., the establishment of a social registry), and development of national social protection strategy. Key results include:

- 10,092 beneficiaries have received additional income through labor intensive public works.
- 20,409 pregnant women and mothers of young children have received preventative nutrition services.
- 56,857 poor households registered, among which 14,605 individuals have been enrolled biometrically for better targeting.
- 1,745,000 m^3 of water were mobilized and benefited 9,692 householders and 132,379 heads of livestock, reducing physical effort and time savings for women, through the approximation of water points. The time saved is used by women either to care for children or to carry out productive activities.
- The creation/rehabilitation of 96 ha of irrigation areas, improving agricultural productivity.
- Improved Doing Business ranking from 171th in 2016 to 99th in 2018.

Partnerships and synergies

IDA will continue to promote WBG collaboration. While IFC has currently no active investment portfolio in Djibouti, MIGA continues to engage in the country. It has issued guarantees of US$24.3 million in a real estate project against the risks of Expropriation, Transfer Restriction, and War and Civil Disturbance in 2018 and is seeking to issue guarantees of up to US$235 million for the development, construction and operation of a 60-megawatt (MW) wind farm.

The demand for core IDA19 resources is about US$150 million to pursue Djibouti's development agenda. Essentially, the allocation will intensify IDA's support for institution building, skills development for jobs, reforms for a more effective and efficient government, poverty reduction, and the MFD agenda, as detailed below.

The IDA19 allocation will help promote investment in sectors with high growth potential, leveraging private sector financing. Despite large investments in port infrastructure and submarine cables, Djibouti's logistics, telecom, and energy sectors can still benefit from private sector financing. However, the three sectors are still heavily under state control. In collaboration with

IFC and MIGA, IDA will look to attract private financing in these sectors through sectoral reforms and guarantees to mitigate risks and remove barriers holding back private investments, such as the high cost of factors in electricity, and telecommunications:

- Energy: Energy costs are high in Djibouti. Electricity tariffs, at US$0.31/KWh, are twice the African average. Electric bills account for approximately 25 percent of business expenses in Djibouti, hindering national competitiveness and industrial development. IDA is currently financing a geothermal exploration project aiming to prove the commercial viability of the resource to attract private sector. If two of the three wells have commercially-viable geothermal resource, a 50 MW geothermal power plant could be developed by the private sector at an estimated US$0.09/kWh in a follow-on project.
- Telecom: The telecom sector is still under state control. Although telecommunications rates are decreasing, they remain high compared to other developing countries. Internet connection fees are particularly expensive: a 500-megabyte mobile broadband costs US$28 in Djibouti, more than seven times the US$4 charged in Ethiopia. Due to the prohibitive cost and low service quality, access to telecommunications services is extremely limited compared to other African countries. IDA is currently engaged in a dialogue to support the government to open the telecom sector for competition in order to improve the quality of service and reduce the cost of ICT, notably Internet provision. Considering its geographic position and stability, Djibouti has a unique opportunity to position itself in the next several years as a major player in the Horn of Africa for ICT.
- Transport: A road corridor project linking Djibouti to Ethiopia to be executed under a PPP scheme was identified as a priority by the Djibouti government. IDA is currently providing technical assistance to the government to identify the key challenges and opportunities for the private sector to finance and execute transport infrastructure. The IDA team will assess the feasibility and the viability of a preferred economic model for this road corridor through a PPP transaction and to support its preparation and implementation. Indeed, a MFD approach is considered appropriate to improve, in a sustainable manner, the current poor road connectivity while reducing transport and logistics costs between Djibouti and Addis-Ababa.

IDA19 will continue to support Djibouti’s aims to reduce poverty. With recurrent floods, droughts, seismic events, food insecurity, water shortages, climate change, and other external shocks, regional disparities remain a challenge for authorities to provide basic services. The situation is further exasperated by nomadic and dispersed populations who are highly vulnerable and require special attention. Building on current projects, the new financing will support Djibouti’s poor rural communities, which are facing the impact of changes in climate (less frequent and more intense rainfall) and social organization (increasing decentralization), through efforts to improve access to water and strengthen rural livelihoods.

IDA19 will continue to support the jobs agenda. It will support the reform of the education and training system at the vocational and post basic levels to better align youth skills with the current and future needs of the economy and the society. Public sector reforms for a more effective and efficient government will intensify.

Recognizing the country's important regional role, IDA will seek opportunities for Djibouti to participate in regional initiatives, both in MENA and in Africa more broadly. For example, the planned telecommunications and transport operations will create the institutional environment needed to facilitate Djibouti's potential role as a regional transport and telecommunications hub. The success of regional cooperation and integration schemes is imperative, not only for economic development, but also for internal and regional peace and stability.

Donor mechanism is nascent in Djibouti. Since the opening of the office in Djibouti, the World Bank established itself as a trusted partner in key policy and reform areas. IDA plays a leading role and is engaged in several transformational agenda with the government. It has also coordinated, and often led, the donor community agenda (including with the EU, African Development Bank, Islamic Development Bank, French Development Agency, and Arab donors) on topics such as employment, slums, and energy.

B. ETHIOPIA

Overview

Dr. Abiy became PM in April 2018 following a period of unrest and the resignation of PM Hailemariam. The new Government implemented major political reforms including releasing political prisoners, decriminalizing opposition groups and building peace with Eritrea. The government launched reforms in strategic state-dominated sectors including telecommunications, energy, financial sector, shipping and logistics with the aim to bring in private sector, improve competitiveness and ensure fiscal sustainability. The private sector is expected to play a greater role in the economy and help create jobs for the 2 million new labor market entrants every year.

Over the past decade, Ethiopia has achieved substantial progress in promoting economic, social, and human development. For the last 10 years, the Ethiopian economy has grown at an annual rate of over 10 percent in real terms, making Ethiopia one of the world's fastest-growing economies. This period of robust growth was driven by large-scale public investment in infrastructure and energy, which was made possible due to favorable commodity prices and international debt-relief efforts in the mid-2000s.

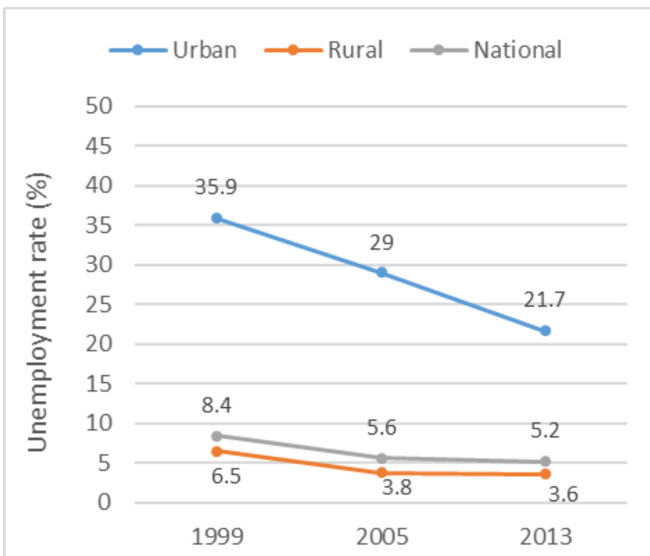
Growth was broadly shared, but challenges remain. Robust growth resulted in significant poverty reduction and improvement in human development. Based on the national poverty line, the poverty rate decreased from 46 percent in 1995-1996 to 24 percent in 2015-2016. Poverty based on the daily international poverty line of US$1.90[18] decreased from 56 percent in 1999 to 27 percent in 2015. Inequality increased marginally over the period, but remains among the lowest in Africa, with a Gini coefficient of 0.33. The illiteracy rate fell from 70 percent to 42 percent between 1999 to 2013, while life expectancy increased from 52 to 62 years over the same period. Under-five and infant mortality rates declined from 166/1,000 to 67/1,000, and from 97/1,000 to 48/1,000, respectively, between 2000 and 2016.

Despite strong progress, human development outcomes remain low, and large gaps persist across regions and rural and urban areas. The Human Development Index (HDI) is only at 0.38; maternal and child mortality rates remain high, as does the rate of stunting; fertility rates in rural areas

[18] In 2011 purchasing power parity.

remain stubbornly high; and access to education has increased from a very low base – in 2016, only one in three Ethiopian youth (15-29 years-old) had completed primary school. The situation is particularly concerning for girls and in rural areas, where a mere 20 percent of 15-to-29-year-olds had completed primary school in 2016, and only 57 percent of children starting first grade will complete ninth grade. Although learning outcomes are improving from a low base, the quality of education requires further strengthening. Access to health services is low, with large differences between urban and rural areas. While over 80 percent of births in urban areas take place in a health facility with a skilled birth attendant, the corresponding share in rural areas is 20 percent. In 2016, 39 percent of children received all basic vaccinations, but the disparity between rural (35 percent) and urban areas (65 percent) was large. Even though these human development levels were low in 2016, they reflect improvements from a very low base, achieved over the preceding decade. While Ethiopia's growth has not been jobless, it has not been able to keep pace with the large number of new entrants. In particular, youth and women face difficulties in accessing paid employment. The structural transformation of employment has been largely absent, with agriculture's share in total employment decreasing by only four percentage points between 1999 and 2013. Workers have increasingly moved toward relatively lower-productivity informal services instead of higher-productivity formal services and manufacturing. In addition, Ethiopia currently hosts more than 920,000 refugees, primarily from neighboring Somalia, Sudan, South Sudan, and Eritrea, and the number of internally displaced people (IDPs) has risen from 1.6 million to 2.8 million.

Figure 3: Unemployment Rate in Ethiopia[19]



Sustaining economic growth and creating jobs requires a shift in economic management toward greater flexibility and openness. Despite substantial investments in infrastructure to support future growth, Ethiopia's recent economic success has occurred in a context of modest structural economic transformation and private-sector development. Growing macroeconomic vulnerability and reducing fiscal space threaten the long-term sustainability of Ethiopia's growth model. Recognizing the limitations of this approach, the PM has announced ambitious reforms in key sectors of the economy, such as telecommunications, energy, financial sector, shipping and logistics, and reforms in many state-owned enterprise (SOEs). Reforms to assure fiscal

19 Unemployment rate, relaxed definition.

sustainability are also underway. Such reforms, and the speed of their implementation, were unimaginable in the past. Gender equality is also an important topic for the government. Women account for 50 percent of the new cabinet, and Ethiopia recently appointed its first woman President and Chief Justice.

The momentum generated by the reforms, coupled with other changes in the sub-region, suggests this might be an opportune time to build the economic dynamism and social cohesion in the Horn of Africa.

Approach for reaching the WBG twin goals, the SDGs, and country development goals

The IDA program supports the government in laying the foundation for socially inclusive economic growth. The joint WBG CPF for Ethiopia for the period FY18-22 is designed to support the Ethiopian Government's Growth and Transformation Plan II, while also supporting the WBG twin goals of eliminating extreme poverty and boosting shared prosperity, and the achievement of the SDGs. This support is structured around three core focus areas: (i) promoting structural and economic transformation through increased productivity; (ii) building resilience and inclusiveness (including gender equality); and (iii) supporting institutional accountability and confronting corruption.

The program, which consists of a mix of instruments, addresses all IDA Special Themes and makes use of IDA special windows. The recently approved US$1.2 billion DPF (the first in a series of three) focuses on (i) enhancing the MFD agenda; (ii) improving the investment climate and developing the financial sector; and (iii) enhancing transparency and accountability. As the reform process is still in its early stage, the DPF considerably helps the acceleration of the government's reform program by facilitating essential actions to (i) open the private sector for competition and foreign participation, (ii) reform the SOE sector, and (iii) put the economy on a fiscally sustainable path. The IDA program also includes Ethiopia's first guarantee for renewable energy, as well as the first-time access to the IDA18 RSW to support refugees and host communities in the country. Lending to Ethiopia is currently in the form of IPFs with an increasing share of Program-for-Results (PforR) operations, especially for service delivery (e.g., health, education, energy). The WBG program will increase its support to climate mitigation and adaptation through operational and technical support, and continue its strong focus on gender. During IDA19, the Government will continue to access the RSW to benefit refugees and host communities alike. So far, the program is focusing on job creation and education, and will likely include health in the future. The increasing number of IDPs is of great concern and a re-evaluation of eligibility to use the RSW for IDPs would be most welcome. In addition, IDA19 will give stronger emphasis on regional integration in the Horn of Africa, given the favorable political momentum.

Human Capital will remain a strong focus under IDA19, both through analytical work and investment operations in priority areas identified through continued consultation with the Government. These priorities include: (i) intensifying focus on the quality of basic service delivery, especially in the early years of a child's life, while bringing on board all players including the private sector; (ii) supporting a more robust measurement agenda and data utilization in key areas of Human Development; (iii) understanding efficiency of spending in service delivery and how high levels of Government expenditure can result in better outcomes; (iv) continuing to focus on equitable access to services (e.g., for women, population living in the lowlands, conflict and drought affected groups, and the urban poor); (v) supporting the Government in using the full range of tools in supporting service delivery including demand side interventions; and (vi) intensifying inter-sectoral coordination for better outcomes, including in nutrition, WASH, agriculture, education, and social protection government programs.

With telecom reform, disruptive technologies have significant potential in Ethiopia starting from a low base. Competition in telecom will open the way for disruptive technologies within the sector, including improved access to broadband, better connectivity within and beyond Ethiopia, and new platforms for mobile money. Outside the sector, innovations in agriculture (particularly for outreach and extension services, for fintech, and for government services) are likely to follow similar patterns as other countries in the region. The government is keen to promote Ethiopia as a hub for digital innovation (and is likely to be an early adopter of the Digital Economy for Africa initiative).

Partnerships and synergies

Partnerships are a key element of engagement in Ethiopia. One of the WBG strengths has been leveraging financing and non-lending support from other development partners for large programs. Several of the country's large programs are co-financed with traditional and non-traditional development partners, with standardized design, safeguards, and joint supervision. This type of arrangement applies to programs such as the Productive Safety Net Programme (PSNP), the Agricultural Growth Project II (AGP II), and the Sustainable Land Management Program (SLMP). In addition, several bilateral partners are interested in co-financing the DPF series.

As the largest development partner in Ethiopia, IDA has been successful in mobilizing additional development financing. The Ethiopia program has US$557 million in co-financing with IDA and US$1.31 billion in MDTFs managed by the World Bank. Finland and DFID co-finance the WASH project, while the Women Entrepreneurship Development Project has successfully attracted funds from Italy, Canada, and the European Investment Bank, among others. The work on the Pastoral Community Development Project series has been co-financed by IFAD, and the Lowlands Resilience Project is likely to be as well.

Given the importance of supporting private sector-led growth, the joint WBG approach features an even more prominent role for both IFC and MIGA. This includes the "Cascade Approach", which seeks to expand infrastructure financing options by optimizing scarce public funds and helping to effect policy reforms that will crowd in commercial capital and create new markets.[20] In the short term, the sector with the greatest potential is energy, through the Scaling Solar initiative and the Renewable Energy Guarantees Project. Manufacturing, which will also include agri-processing, may also have good short-term prospects. Policy dialogue on both ICT and Finance will continue to be a focus in IDA19.

[20] Through this approach the WBG helps countries maximize their development resources by drawing on private financing and sustainable private sector solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards, and reserve scarce public financing for those areas where private sector engagement is not optimal or available.

C. HAITI

Overview

Although extreme poverty fell from 31 to 24 percent between 2000 and 2012, moderate poverty remains very high at around 60 percent. Haiti ranks 163rd out of 187 countries on the Human Development Index, and according to the Human Capital Index, a child born in Haiti today will be only 45 percent as productive when he grows up as he could be if he had enjoyed complete education and full health. Haiti also remains the most unequal country in LCR with a Gini coefficient at 0.61. Furthermore, the living conditions of the poorest remain disproportionally threatened by natural disaster. Hurricane Matthew hit Haiti in October 2016 and devastated the Southern part of the peninsula where 80 percent of the population in Grand'Anse and around 65 percent of the population in Nippes and Sud-Est are poor, with very low access to basic services. This event has increased food insecurity and destroyed the livelihoods of many poor rural households, who tend to resort to crisis coping strategies that deplete their physical and human capital and deepen poverty.

Fragile macroeconomic situation and low service delivery: Continued political instability, civil unrest and social discontent have led to a deterioration of the macroeconomic framework and caused considerable uncertainty. The fiscal deficit has widened from 1.9 percent of GDP to 4.3 percent over the period owing to a higher wage bill and larger subsidies to the energy sector, inflation now exceeds 15 percent, fiscal revenues declined from 13.5 percent of GDP in 2017 to 12.7 percent in 2018; and gross international reserves remain at 4.2 months of import coverage. The GDP growth showed some resilience and accelerated (from 1.2 percent in FY2017 to 1.5 percent in FY2018). However, damages to businesses during recent demonstrations and intermittent riots and protests have negatively impacted growth, which is expected to decelerate to 0.4 percent in 2019. Continued strength of the US economy increased remittances inflows (33.3 percent of GDP in 2018), but this was not enough to offset Haiti's structural trade and services deficits. The current account deficit widened to 3.7 percent of GDP, from 1.0 percent of GDP in 2017. Furthermore, tight fiscal constraints have prevented the government from increasing budgetary allocations to social sectors (e.g., health, education) as donors are scaling down their support, already translating into a deterioration in some health indicators, particularly for the poor.

Political climate and accountable governance: Although Haiti has been an independent nation for over 200 years, it has failed to develop the impartial, effective institutions necessary to establish and maintain popular legitimacy. Despite efforts to reform Public Financial Management, weak institutional capacity and lack of accountability compound governance and transparency challenges, notably in public financial management overall and public procurement, and tracking of public spending. A 2006 World Bank Country Social Assessment found that "Haitian politics swings between two key dangers: capture by privileged elites who harness government to protect their dominant position in society; and populism that neglects the country's long-term institutional and economic development while paying lip service to the poor." The country's deep partisan divisions have contributed to a series of coups, insurrections, and clashes between political factions. While an abrupt increase in fuel prices last July was the proximate cause of the recent outbreak of violent demonstrations and rising living costs triggered intermittent riots, the public's swift recourse to street protests between October 2018 and February 2019 reflects deep-seated frustration with a political system that is widely perceived to be unresponsive to normal democratic processes.

Constrained private sector growth: Faster private sector-led growth requires improved infrastructure (ports and roads), less costly and more reliable electricity service, and a more favorable and less burdensome business environment, including better access to finance for smaller businesses. High concentration of assets in the hands of a few economic players hampers the entrance of new actors and healthy competition, which would benefit consumers.

Weather shocks and epidemics: Haiti's widespread poverty, tenuous fiscal balances, and volatile political situation are compounded by the country's exposure to natural disasters and other exogenous shocks. With an estimated 96 percent of the population at risk from one or more type of natural hazard, Haiti is among the world's most disaster-exposed countries. Major threats include hurricanes, floods, erosion, droughts, earthquakes, and landslides. Between 1976 and 2012, the average economic losses from extreme weather events alone were estimated at almost two percent of GDP per year. Poor households are especially exposed to disasters: 80 percent of extremely poor households and 70 percent of moderately poor households experience an average of at least two shocks per year. Improved emergency-response and social safety nets systems would help shield poor households from the damaging effects of natural disasters.

Approach for reaching the WBG twin goals, the SDGs, and country development goals

The Performance and Learning Review (PLR) carried out in May 2018 validates the WBG's overall approach. The CPF's areas of focus and objectives remain highly relevant to Haiti's development challenges and fully aligned with the priorities of the Government of Haiti. Under the FY16-19 CPF, which spans two IDA cycles, IDA support focuses on four priority areas: (i) Inclusive Growth, (ii) Human Capital, (iii) Resilience, and (iv) Governance. At this stage, no change in focus is envisaged under IDA19. IDA's main instrument in Haiti remains Investment Lending.

However, the large and wide-ranging portfolio inherited from post-earthquake reconstruction will need to be consolidated. The substantial increase in Haiti's IDA allocation under IDA18 was welcome, but is testing the country's absorption capacity. Going forward, the program should privilege simple project design and streamlined implementation arrangements, which fully engage the relevant institutional counterparts in the Government of Haiti. Government contracting of private sector parties and of other institutions with execution capacity (e.g., United Nations Office for Project Services (UNOPS) to carry out cash for work and United Nations Population Fund (UNFPA) to provide support to the Haitian Statistical Institute to carry out the Census) has also achieved concrete results, particularly where activities require many retail transactions. Finally, implementation of stepped up activities in a fragile setting such as Haiti has underscored the need for more staff seniority in teams, coaching for more junior staff, and presence in the field.

- The IDA program contributes to Socio-economic Stability by providing an emergency budget support operation (US$20 million) as part of an international effort to stabilize Haiti's socio-economic situation. The operation seeks to maintain macro-fiscal stability and lay the ground for stronger fiscal management and more efficient social spending to better protect poor and vulnerable households. More broadly, the WBG's approach to fragility in Haiti is to engage selectively and pragmatically through its investment operations to (i) reduce vulnerability and (ii) support the building of the social contract. A key focus is on providing greater economic opportunities (see below – inclusive growth), reducing vulnerability by improving the country's resilience (see below – resilience) and helping develop more reliable service delivery to build better trust between citizens and the State (see below – human capital).

- The IDA program promotes Inclusive Growth by supporting the development of greater economic opportunities outside of Port-au-Prince, increasing agricultural productivity, increasing energy access (including through the development of renewable energy), improving access to finance and financial inclusion, and supporting Haiti's competitiveness and private sector-driven growth. A key objective is to support the emergence of new economic actors to increase competition, begin to address market concentration, and create opportunities for a broader set of economic agents in the country. These operations include agriculture and environment (US$106 million under implementation), infrastructure (US$125 million under implementation in road connectivity and urban resilience, US$35 million under preparation on resilient urban infrastructure and development, as well as US$30 million for upgraded air transport capability and resilience to climate change and natural disasters), energy and renewables (US$100 million under implementation), and business development and investment (US$20 million).
- The IDA program supports the development of Human Capital by investing in basic service delivery in education and health, with attention to closing geographical and income gaps in service delivery, improving education quality in public and private schools, combatting cholera through combined health and water interventions, and by continuing policy work on social protection. IDA finances projects in education (US$30 million under implementation, US$39 million under preparation), and health (US$95 million under implementation, US$55 million under preparation), aimed primarily at women and children and at combating cholera, the latter paired with large water and sanitation investments (US$70 million under implementation) targeted at cholera-prone rural areas and small towns.
- The IDA program aims to improve Resilience by helping to better understand risk, and by improving preparedness and response to natural disasters (US$80 million in IDA investments complemented by US$5 million to support Hydrometeorological capacity financed by PPCR). IDA is also scaling up investments (US$35 million) to improve early warning and emergency evacuation capacity in climate risk-prone areas to save lives through the provision of and accessibility to safe havens. It also aims to strengthen resilience to climate change, strengthen urban resilience by reducing risks associated with flooding and climate change related effects and municipal capacities for better management of land use and urban expansion (US$48.4 million), as well as improve selected urban infrastructure and public spaces to support a more livable and resilient urban development (US$45 million). IDA is also building and upgrading resilient infrastructure in Haiti with investments to increase all-weather road access and improve the resilience of the road network (US$75 million) and international airports' air transport capability, as well as resilience to climate change and natural disasters (US$30 million). Program-wide, IDA operations also contain emergency components that can be triggered to respond to relevant shocks and emergencies.

- The IDA program aims to achieve Governance improvements, by focusing on interventions to strengthen the effectiveness of the State, including the strengthening of public financial management, government capacity to produce key data (e.g., the next household census), and set evidence-based policy priorities. In this context, IDA is financing a statistical capacity building operation (US$20 million under implementation) for the next household census and an integrated financial management system.
- The IDA program is integrating Disruptive Technology by piloting the use of blockchain technology in its Business Development and Investment Project to allow farmers to keep ownership of their produce until final market, sheltering them from middlemen.
- Finally, the IDA program is targeting Disability. With the support from the PHRD, IDA is promoting diversity and inclusion by supporting a pilot program targeting one of the most vulnerable social groups, People with Disabilities (PwDs). The Improving Access to Social Services and Employment Opportunities for Persons with Disabilities Project will develop and populate a Registry of PwDs to help increase their access to social services as well as help the government improve targeting in social protection. The Project will also work with the private sector to raise their awareness on disability and help them identify the actions needed to expand PwDs access to labor markets, employ more PwDs, and also increase employment opportunities for PwDs through the provision of job training and placement services.

The PLR found mixed progress toward the achievement of the CPF outcomes. Anticipated results were achieved in building human capital, calling for further investment in the long-term benefits of education and health and the continuation of efforts to control cholera. However, political uncertainty delayed activities aimed at strengthening inclusive growth, enhancing economic opportunities, improving electricity access, and improving the competitiveness of ports. Significant improvements were achieved in terms of the financial inclusion of SMEs and people. The program also delivered some results in Disaster Risk Management (DRM) and substantially strengthened resilience across sectors, in particular the transport sector, though lessons from Hurricane Matthew demonstrate that a further sharpening of local level capacity for DRM is needed. Only modest improvements in transparency and accountability to underpin better governance were recorded. The program also contributed substantially to the development of new data, to support evidence-based policy making.

Partnerships and synergies

Of particular relevance are the partnerships with UN agencies as well as with USAID, the Center for Disease Control, the Caribbean Development Bank, and the French Development Agency, which are yielding positive outcomes on health and education service delivery. Close collaboration and complementary coordination with the Inter-American Development Bank is helping close the gaps on education access and quality as well as extend coverage of water and sanitation, and jointly with Canada strengthening the country’s statistical capacity, including the fifth General Population and Housing Census. The disaster response agenda is seeing some positive developments thanks to the close collaboration with Japan and the UK. While significant results have yet to be sustained, the reforms on energy are supported by multiple donors in Haiti.

Stepped up efforts are being deployed to create opportunities for WB/IFC collaboration, in particular, to add more value to public and private sector clients. A joint WB/IFC roadmap has been developed to: (i) deepen collaboration on renewable energy; (ii) assess urban challenges around IFC investments in secondary cities; (iii) identify possible PPPs between municipalities and private operators to deliver water and solid waste services and potentially health services; and (iv) explore the use of the IDA18 IFC-MIGA PSW to support renewable energy and financial services. MIGA is looking to support this roadmap through both its traditional political risk insurance guarantees as well as through the IDA18 IFC-MIGA PSW as private sector demand materializes. Concrete steps to advance this agenda, particularly on agribusiness, have been identified and progress will be tracked jointly by IDA, IFC and MIGA.

The PSW has allowed IFC to explore riskier transactions and provide local currency financing in Haiti in FY18. Two projects in the financial services and beverage industries totaling US$14 million were processed. A trade line of US$10 million to support one of the local banks' issuance of letters of credit to its existing and new market segments is also under consideration. One of these projects will allow the expansion of credit specifically to SMEs. As of January 8, 2019, IFC's portfolio comprised eight projects with an initial commitment of US$118.45 million (including US$50.98 million in mobilization). Two investment projects were approved by the Board in December 2018 and are pending commitment. Aside from one problem loan which is being restructured, portfolio performance remains solid. Under the recently launched Creating Markets Advisory Window (CMAW) under IDA18, additional advisory programs have been approved in IFC priority sectors including solar energy, agribusiness, capital markets, SME value chain and construction.

D. MOLDOVA

Overview

Moldova is a small lower-middle-income economy. Although the poorest country in Europe, it has made significant progress in reducing poverty and promoting inclusive growth. Extreme poverty declined from 4.5 percent to 0.2 percent between 2006 and 2015, while the poverty rate decreased from 30.2 percent to 9.6 percent in the same period. The economy has expanded by an average of five percent annually during 2000-2017. Growth remains highly reliant on consumption due to sustained remittances and recent increases in public wages. With a large share of Moldovans already living and working abroad, and the attachment of subsequent-generation migrants to Moldova declining over time, the country needs to enable new drivers of growth. The WBG supports Moldova's transition towards a new, more sustainable and inclusive development and growth model through a mix of analytics, advice and financing.

Approach for reaching the WBG twin goals, the SDGs, and country development goals

Over the past 15 years, the WBG has provided support through IDA and IBRD financing, trust funds, and technical and policy advice. Development policy (general budget support) and investment policy financings (projects in specific sectors) have been maintained with flexibility, allowing the WBG to shift toward investment lending if conditions require.

The FY18-FY21 CPF supports Moldova's transition to a new, more sustainable, and inclusive development and growth model. The CPF is grounded in the National Development Strategy, and incorporates the top three priorities of the Systematic Country Diagnostic: (a) strengthening the rule of law and accountability in economic institutions; (b) improving inclusive access to and the efficiency and quality of public services; and (c) enhancing the quality and relevance of education and training for job-relevant skills. These priorities define and inform the CPF's three focus areas: economic governance, service governance, and skills development, which are supplemented by climate change – a WBG corporate priority as a cross-cutting issue.

This support has achieved strong results: in competitiveness, a credit provided to exporters resulted in creation of more than 400 new jobs; in agriculture, , more than 1,000 business start-ups were launched from 2003 to 2013 and US$30 million disbursed to rural entrepreneurs and start-up businesses helping to create some 5,600 new jobs; in education, IDA-funded activities supported 65 rehabilitated kindergartens and provided preschool to 1,100 children, resulting in an enrollment increase from 77 to 82 percent; in energy sector, IDA-supported investments helped reduce greenhouse gas emissions by 90,000 tons of carbon dioxide, equivalent to 19,000 vehicles taken off the roads for a year; in social assistance, IDA-financed Ajutor Social Program provided social benefit payments to the poorest; and in the health sector, IDA supported a National Health Insurance scheme that increased coverage from 76 percent of the population in 2007 to 85 percent as of today.

E. NEPAL

Overview

Nepal aims to reach middle income status by 2030. There has been a slow, but steady, shift in the sources of growth from consumption fueled by remittances to investment-led growth. Growth is strong at 7.9 percent in FY17, 6.3 percent in FY18, and around 6.0 percent into FY19, compared to the average annual growth of 4.4 percent in the last decade. Beyond GDP growth, there has been a considerable reduction in extreme poverty. As measured by the international extreme poverty line, poverty fell from 46 percent in 1996 to 15 percent in 2011. National headline poverty is at 25 percent, also a drop from the past. Consumption growth of the bottom 40 percent was 7.5 percent compared to 4.0 percent on average across all households. It is projected to be 10 percent in 2019.

Nepal is a landlocked country that emerged from a ten-year conflict in 2006. It is vulnerable to natural disasters, as exemplified by the devastating earthquakes in 2015 and floods in 2017. In 2015, a new Constitution was promulgated, setting the path to establishing a Federal Democratic Republic. Nepal's development priorities are consistent with the WBG's CPF for FY19-23: (1) strengthening public institutions for effective public management and service delivery under the new federal system, underpinning private sector development; (2) creating more and better jobs through productivity-led growth driven by the private sector – including removing constraints to investments and entrepreneurship; and (3) identifying and promoting opportunities for greater inclusion and resilience to achieve greater equity in human capital development and preparedness against health shocks, climate change impact, and natural disasters.

In a departure from the past, greater political stability following the elections in 2017 provides a basis for a positive shift in Nepal's development path. The 2017 elections – local, state and federal

– represented a significant turning point. Local elections were held after 20 years, filling a long void in popular representation. For the first time in Nepal's parliamentary history, elections produced a two-thirds super-majority coalition government, with the two leading coalition parties merging to become the Nepal Communist Party in May 2018. This new government has introduced the long-term goal of *Prosperous Nepal: Happy Nepali*. Under *Envisioning Nepal 2030*, it seeks to "achieve all the SDGs and become an inclusive, equitable, and prosperous middle-income country (MIC) with the spirit of a welfare state by 2030". To implement this vision, the 14th Periodic Plan (2017-2019) envisages an "*independent, progressive, and socialism-oriented economy*" with a focus on credible public management and governance reform; increased investment in physical infrastructure (e.g., energy, connectivity and urban development); transformation in key sectors of the economy; human and social development contributing to job creation; and social protection for marginalized groups. Gender, poverty, environment, inclusion, private and disruptive technologies cut across these areas.

Approach for reaching the WBG twin goals, the SDGs, and country development goals

The CPF covers a five-year period (FY19-23) and focuses on public institutions, private-sector led jobs and growth, and inclusion and resilience. Underpinning this program is the government's acceptance of the MFD principle, to bring in the private sector into the Nepali development agenda. To support the MFD agenda and reduce the constraints to private sector investment, the WBG will focus on five priority areas: energy, transport connectivity, regulatory environment, financial sector stability and access to finance, and income opportunities. The SCD identified the uncertain political environment and weak public institutions as one of the top reasons for weak private sector investment. Other challenges include infrastructure constraints, the need to improve the investment climate, and the issue of access to finance, especially for micro, small, and medium enterprises (MSMEs) and small farmers. Across the five areas, the WB will seek opportunities to strengthen women's economic empowerment and address inclusion. This means ensuring that women and marginalized groups are actively involved in stakeholder consultations, especially in infrastructure development.

The WB, IFC, and MIGA, as one WBG, will continue to address the gaps in energy at the policy and investment levels. Energy remains a significant constraint to greater private sector investment, productivity, and livelihoods. Nepal ranks 130 out of 190 countries in terms of infrastructure availability, with electricity and roads being particularly acute constraints. Two-thirds of Nepal's firms identify electricity as a major obstacle to doing business. Annual average per capita electricity consumption, at 140 kilowatt hours is a twentieth of the global average and a fifth of India's average. Infrastructure development is a government priority under the 14th Periodic Plan, and yet faces low and inefficient public investment rates.

To meet the immediate energy needs of the country, consistent with MFD principles, IDA is working to support the government in power sector reforms and private sector engagement. IDA, working with IFC, is financing a programmatic series of Energy DPCs focusing on key institutional and policy actions necessary to remove binding constraints to private investment in the sector. The DPC is supporting sector reforms to improve financial viability, transparency and accountability of the regulatory regime, and service delivery, as well as to enhance the overall investment environment for the private sector. IDA, IFC and MIGA have been collaborating in financing and attracting private sector investment for the Upper Trishuli 1, a 216-MW hydro power generation project. In addition, IDA is providing support to increase power supply and promote renewable energy solutions. IDA is promoting regional cooperation and exchange through policy dialogue, analytical support, and investments.

In implementing the CPF, IDA is addressing the corporate commitments in gender, citizen engagement, and climate change co-benefit. On gender, IDA is focusing on women's economic empowerment and gender equity, through support to the National Gender Policy Implementation and reduction of gender-based violence. IDA is aiming to integrate gender in all operations and citizen engagement in all its investment operations. In this area, IDA is focusing on citizen monitoring framework for decentralized governance, policy dialogue and support for social risk management capacity at sub-national levels, and grievance redress mechanisms. IDA is aiming to maximize climate co-benefits, especially in operations that address energy, agriculture and livestock, forestry, trade and competitiveness, urban development, transport, and disaster risk management. It will also incorporate where appropriate a contingent emergency response component (CERC). Linked to this effort to increase climate co-benefits in projects, IDA will provide necessary assistance to the country to meet its Nationally Determined Contributions (NDC) commitments.

The IDA program is reflective of the key drivers of fragility in Nepal. Underlying the 2015 Constitution and the new federal state is the overarching priority of greater equity and inclusion. This is critical to reducing fragility, as well as furthering poverty reduction and shared prosperity. IDA is prioritizing the inclusion agenda in drawing from the SCD's six priority areas and the Gender Equity and Social Inclusion assessment and will endeavor to reach disadvantaged/marginalized communities. IDA is giving precedence to areas where it may have a transformative impact on Nepal's development, contribute to reducing risks of fragility, and benefit from strong government ownership.

Nepal's portfolio consists of 24 active Projects (which include six trust fund projects above US$5 million – PPCR Climate Hazards, SREP Supported Extended Biogas Project, Earthquake Housing Reconstruction Project, MDTF Integrated PFM Project, Food and Nutrition Security Enhancement Project and Private Sector Led Mini Grid Project) with net commitments of US$2.34 billion as of May 6, 2019. This includes three PforR and one DPC operation, with the remainder being IPFs. The full range of lending instruments is being used to meet the development needs in Nepal.

Nepal has expressed a keen interest in supporting the Human Capital Project and will host a forum inviting Bhutan in June 2019. The Human Capital Project, an ambitious effort to accelerate more and better investments in people around the world, aims to drive rapid progress on outcomes that are critical for human capital accumulation, and help countries break out of the trap of low demand for human capital investment. The summit will focus on ways to link together and support quality of education, nutrition, social protection with fiscal policy.

IDA has been asked to support Nepal's new 2020 Digital Nepal Program, to help support a vision for using the digital economy and disruptive technologies to drive Nepal's development, and federalism transition. Advisory support is underway in this sector.

Box 2. Snapshot of IDA Results in Nepal

As of August 2015, more than 73 percent of graduates of vocational training programs were gainfully employed for at least six months after the training program, compared to 68 percent in March 2014.

From 2011 to 2015, 54,821 people benefited from urban services and infrastructure improvements in Nepal. 45 percent of the beneficiaries were women and 53 percent were from disadvantaged groups.

In 2015, six million women received prenatal care during a visit to a health provider, up from 2.6 million in 2010. 1.3 million children had been immunized in 2015, up from 580,000 in 2010. 55.6 percent of births in 2015 were attended by a skilled professional in 2015, up from 28.8 percent in 2009. 77.6 percent of students completed primary education (grades 1-5) in Nepal in 2014, up from 58 percent in 2009.

From 2008 to 2014, 14,300 families of people who died in conflict and 4,500 widows received cash payments and 14,770 people affected by conflict received skills training and job placement services.

From 2008 to 2014, an IDA-funded project to build and improve irrigation systems has improved access to water resources for more than 415,200 farmers in Nepal. The new and improved systems cover 26,859 hectares of land, mostly in hilly region.

Under the Emergency Housing Reconstruction Project, approximately 302,000 homes have completed their reconstruction as a result of the 2015 earthquakes.

Partnerships and synergies

IDA is the largest development partner in Nepal, with links to a number of other donor programs. The WB and Switzerland are the co-chairs of the Federalism Development Partner Group. The WB, along with UNDP, is also leading the Federalism Capacity Needs Assessment in the country. Similarly, the WB is leading the PFM agenda for federalism. Strengthening of PFM is supported by key donors, including DFID, the EU, AusAID, Norway, USAID, and Switzerland. The WB is engaged in many joint activities with other development partners, including an upcoming parallel financing program on the transport sector with the Asian Development Bank (refer to the Nepal CPF Annex 8).

Continued WBG synergies are anticipated in hydropower and in tourism during IDA19. This includes concerted efforts through IDA DPC series focusing on policy reforms, with IFC and MIGA interventions (along with the use of IDA's Private Sector Window) to create meaningful frontier investments on the ground. The WBG is discussing with the government about opportunities to address the findings of the Country Private Sector Diagnostics and the InfraSAPs.

The Nepal program has many examples of successful investment and knowledge leveraging. This includes the SWAps in Health and Education, the leveraging of the World Bank's PFM DPC with a MDTF (USAID, Norway, EU, DFID, Germany), and the MDTF for the Emergency Housing Reconstruction that leverages IDA and CRW resources. Currently, efforts are underway for a multi-donor initiative in agricultural productive alliances, and co-financing with ADB of the strategic roads network.

Scale-up Facility

Nepal has expressed interest in SUF financing, including for a MFD DPC and a tourism operation. A Treasury mission took place in February, and discussions are ongoing to foster an understanding by the Ministry of Finance of the financing parameters of the SUF, which is new to Nepal – Nepal has never accessed non-concessional financing. Potential sectors where the country may seek additional, less-concessional resources are in Strategic Roads and Energy (hydropower). Specific projects that could be supported by SUF resources include:

- Maximizing Finance for Development DPC Series (submitted for consideration)
- Tourism Value Chain Project
- Federalizing the Earthquake Reconstruction Program (Job Creation and Federalism)

F. TAJIKISTAN

Overview

Tajikistan stands at the crossroads between a tangible and sustainable socio-economic transformation and the country's economic, political and social challenges and fragility risks. According to a recent WB analytical work, four principal dimensions of fragility risks have been identified as of specific relevance for the Tajikistan context: (i) an economic situation characterized by a lack of domestic job and income opportunities resulting in high un(der)employment and high household dependency on remittances from labor migration; (ii) uneven share of prosperity and opportunity, and disparities in access to basic service and infrastructure by geographic location (rural vs. urban; lagging vs. more prosperous regions of the country), gender, and age (young people, involuntarily returning migrants, and women who are heads of households, mostly abandoned wives of labor migrants) are at particular risk of being excluded; (iii) cross-border security and global (environmental) risks, as expressed by social tensions and sporadic security issues in border and disputed areas, as well as vulnerability of large areas to natural disaster and climate change-related shocks; and (iv) a lack of adequate governance responses at the root of grievances and perceptions of injustice and disempowerment of those who feel marginalized.

There are four main actual and aspirational sources of resilience against these risks. These include (i) the durability and strength of community-level institutions, including self-governing bodies such as the mahallas; (ii) the collective memory of the severe costs of the civil war of the 1990s, and basic overall satisfaction with quality of life across the country generating strong popular desire for peace and stability; (iii) the positive contributions of labor migration to the national economy through economic benefits, skill development and changing gender roles; (iv) hopes and expectations associated with the implementation of the country's current public investment-anchored development strategy and renewed regional cooperation, promising benefits for jobs and social services from economic growth and development based on new investments and trade (of hydropower, minerals, agricultural and manufactured products), including with Uzbekistan and China.

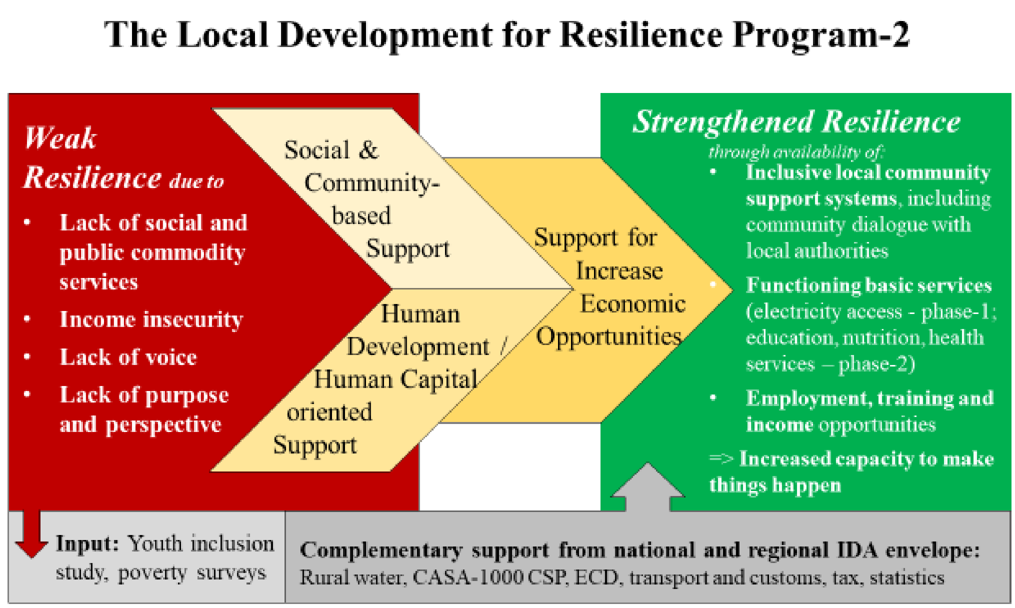
Approach for reaching the WBG twin goals, the SDGs, and country development goals

To strengthen sources of resilience while addressing fragility risks, the WB has designed a comprehensive programmatic umbrella for a package of three financing interventions (all slated for Board approval by end FY19) creating close synergies to each other in the form of a Local Development for Resilience Program funded by the IDA18 Risk Mitigation Regime (RMR). Embedded into the FY19-FY23 CPF, it will be complemented by analytical and advisory work and benefit from synergies with other operations under the CPF (e.g., in early childhood development, community services, road links).

A strong IDA19 replenishment will translate to robust levels of core IDA financing and access to appropriate IDA windows needed to consolidate achievements reached under phase-1 (financed under IDA18) in close policy dialogue with government counterparts and cooperation with development partners with an aim to (i) deepen and broaden program activities; (ii) extend the program's reach into locations and regions not covered under phase-1, including into urban centers where significant recruitment activities into jihadist and other criminal groups have been observed; and (iii) ensure measurability and sustainability of progress achieved over time. At the end of its implementation period, the main target groups will be placed in a position to develop professional and personal perspectives, which includes better access to services and opportunities of their respective communities. It is hoped that this will contribute to these groups' resilience towards "temptations" to outlets for anger and frustration through radicalization, extremism, and/or crime.

The second phase of the Local Development for Resilience Program (Figure 4), proposed to be financed under IDA19, will focus on the lagging regions of Khatlon, GBAO and possibly also Sughd. It will address specifically youths, involuntary returnees, and women heads of households. Without (access to) training and education, often isolated and excluded socially from their local communities, and struggling to find meaningful income-generating opportunities in a jobless (rural) economy, these segments in society are particularly vulnerable to radicalization, religious extremism, and/or crime.

Figure 4: Tajikistan's Local Development for Resilience Program



The envisaged package for phase-2 of the Tajikistan RMR program will continue financing simultaneous and synergetic interventions to help build socio-economic resilience on the individual, household and community levels through a spatial approach from different angles. It will work to foster social inclusion and stronger communal support mechanisms, provide basic services in marginalized communities, and will create employment and income.

Partnerships and synergies

The program will continue creating synergies between three closely linked thematic clusters of interventions as follows:

- **Strengthen social and institutional resilience** on the level of households and communities through additional financing to the Socio-Economic Resilience Strengthening Project. Activities will continue to cover training, awareness building, and demand-driven small grants at household and community levels. The project will also continue to facilitate improved dialogue between communities and local governments and contribute to the strengthening of local institutions,
- **Support to the economic resilience of vulnerable groups** through the continuation and additional financing of the Rural Economy Development Project, which is foreseen to be more private sector oriented and include more entrepreneurship-centered activities to foster inclusion of target groups into commercial market-driven undertakings – thereby helping create income and purpose.
- Whereas the third cluster of activities in phase-1 focused on basic service provision with a view to close remaining gaps in access to electricity in hard-to-reach areas through a Rural Electrification Project, phase-2, will explore **alternative delivery modes for education and health services in border and/or hard-to-reach areas,** to strengthen resilience and provide perspectives for vulnerable target groups, from a human-capital perspective.

G. Yemen

Overview

Yemen has been experiencing long-term cycles of protracted political, humanitarian and economic crisis. Armed conflict, extending into its fourth year, has caused massive destruction to infrastructure, exacerbated human suffering, and created one of the worst humanitarian crises in the world.

Even prior to the conflict, Yemen was the poorest country in the Middle East and North Africa (MENA) region. The country had been profoundly challenged on several fronts – high population growth, severe urban-rural divide, food and water scarcity, low female literacy and economic participation rates, and economic stagnation. The very few data indicators currently available suggest that human development and institutional capacity has worsened considerably during the crisis. According to the UN, an estimated 24 million people (80 percent of the population) require humanitarian assistance and protection, of which roughly 14.4 million are in acute need. The population relies heavily on humanitarian aid, with the World Food Program currently providing emergency food assistance to 6.9 million people per month, of which more than 400,000 are children suffering from severe acute malnutrition. An Integrated Phase Classification assessment conducted in December 2018 identified, for the first time, pockets of "catastrophic hunger" present in 45 of the country's 333 districts. Close to 3.9 million people have been displaced since the conflict erupted in late March 2015. An estimated 16 million people have been left without access to safe water and sanitation as the country grapples with outbreaks of preventable epidemics like cholera, diphtheria, measles, and dengue fever. The UN has called the situation in Yemen the "world's worst humanitarian crisis".[21]

While immediate prospects for peace remain uncertain, recent developments provide some hope. Peace talks were successfully held in Sweden in early December 2018; the first since the comprehensive but ultimately inconclusive peace talks held in Kuwait in 2016. The December 2018 meeting focused on a cease-fire for Hodeida and a series of confidence-building measures, forming a framework for future peace negotiations. While a fragile ceasefire for Hodeida is in effect, difficult consultations on a diverse set of topics concerning security and the economy are ongoing.

In the absence of an imminent resolution to the armed conflict, the government of Yemen continues to grapple with an ad-hoc and decentralized response to worsening humanitarian conditions. On the economic front, the Government of Yemen, together with the UN, seeks to mobilize funding from donors in the range of US$4 billion for the UN Humanitarian Response Plan 2019. A second priority for the government is securing sufficient deposits and other forms of grants, including from Saudi Arabia, to support fiscal and currency stabilization. A third agenda item that has been emphasized is the payment of civil servants' salaries. Since September 2016, civil servant salaries have been paid only intermittently, if at all. Priority sectors for future IDA analytical work – should funding become available – will focus on short to medium term priorities that match the government's urgent concerns, such as payment of salaries for teachers and health care workers, technical support to the Central Bank of Yemen, and the further expansion of social protection programs.

Approach for reaching the WBG twin goals, the SDGs, and country development goals

The World Bank has remained critically engaged in Yemen in the midst of conflict. Since July 2016, IDA's Emergency and Crisis Response in Yemen portfolio has amounted to about US$1.36 billion. IDA grants have provided financing for critical service delivery and preservation of human and national institutional capacities. IDA has targeted the poor and most vulnerable Yemeni households and communities nationwide, helping them cope with the impact of the crisis through income support, cash transfers, health and nutrition interventions, cholera response, and restoration of agriculture production.

Current interventions provided by the WB and the UN demonstrate IDA's unrivaled ability to support adaptive, multi-dimensional interventions at the humanitarian-development nexus. The IDA portfolio was fully restructured to free up emergency resources, with the current portfolio largely funded from IDA18 and from the reprogramming of Yemen's retired portfolio. IDA's engagement in Yemen has successfully forged strong operational partnerships with UN agencies on the ground (UNDP, United Nations Children's Fund (UNICEF), World Health Organization (WHO), Food and Agriculture Organization (FAO) and UNOPS), leveraging their technical and

[21] UN Office for the Coordination of Humanitarian Affairs press release on 2019 Humanitarian Needs Overview for Yemen report.

fiduciary capacity. Such partnerships have proven exemplary in delivering remarkable results and impact.[22] Key results to date include:

- 1.45 million households (more than nine million individuals) have received three quarters of cash transfers country-wide. An additional IDA financing of US$140 million has been committed and is ongoing.
- Six million work days have been created, directly benefiting 308,000 individuals (with about 1.8 million indirect beneficiaries).
- 190,000 at-risk mothers and children have received nutrition-sensitive cash transfers and referral services.
- 14.6 million people have received essential health and nutrition services nation-wide.
- Six million beneficiaries have been reached through water disinfection and hygiene.
- 640,665 people have received treatment for cholera, while case fatality rate went down from 2.3 to 0.21 percent.
- Nine microfinance institutions have been assisted or revived (serving 85,000 microfinance client beneficiaries) and over 2,550 distressed micro enterprises have been revived.
- 47,300 farmers have received emergency start-up packages to resume agricultural production.

Partnerships and synergies

IFC engagement in support of the private sector in Yemen continues to be a key component for economic recovery. IFC continues to manage its existing portfolio of private sector investments totaling US$37.3 million and is considering an investment in a distributed solar facility to support its existing investment in a Yemeni cement company. Through its Global Trade Finance Program (GTFP), IFC is also reconsidering the development of a trade finance facility to support imports of critical commodities through the private sector, if donor support can be found. Recognizing the importance of maintaining private sector capacity for recovery, IDA projects such as the Urban Integrated Services Project and Emergency Power Project continue to work closely with private sector providers.

Despite this progress, reconstruction needs in the country remain vast, urgent, and rising. According to the World Bank's latest Dynamic Needs Assessment (Phase III), short-term (first year) recovery needs for the 16 cities studied are estimated to amount to US$2.3-2.8 billion, with medium-term (two to five years) needs estimated to range from US$6.7 to $8.1 billion, and with longer-term (over five years) reconstruction needs reaching US$14 billion in the 16 cities alone. Extrapolated to the entire country, reconstruction and recovery needs over five years are estimated to reach US$88 billion. The housing sector suffered the worst damage, with 33 percent of houses partially damaged or fully destroyed. The education, health, transport, and WASH sectors have also been considerably damaged, with damage ranging from 27 to 31 percent. Housing sector recovery needs are estimated to comprise 59 percent of total reconstruction and recovery needs.

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[22] See Bank Operations in Active Conflict – Operational Experiences in Yemen since 2015 – A Lessons Learned Study (forthcoming). See also paragraphs 25-27 in the "IDA19 FCV" paper on lessons from IDA18 engagement in Yemen.

Needs in the power sector are estimated to reach 20 percent of total needs, with the health sector representing another 10 percent.

IDA18 funding will soon be exhausted. With the scale and urgency required for a comprehensive and lifesaving response, IDA18 core resources for Yemen were programmed strategically to build resilience and complement crisis interventions through two projects: The Urban Integrated Services Project (US$150 million) and Emergency Power Access Project (US$50 million), which will continue under this CEN. These project allocations exhaust the remainder of Yemen's IDA18 core funds. The Emergency Crisis Response Project (ECRP, US$640 million) was approved for a third round of Additional Financing (AF) in December 2018, with co-financing from DFID and the US State Bureau for Near Eastern Affairs. This financing is expected to be fully exhausted by April 2019. AF4 is currently under negotiations, the approval of which could extend financing for ECRP. The Emergency Health and Nutrition Project (US$483 million) is seeking an AF3 of US$200 million to scale up activities to respond to short term health needs, prevention of chronic malnutrition and disease, as well as institutional and capacity-building for local health systems and staff. These current projects serve largely to sustain basic and lifesaving services to the most vulnerable in Yemen.

Prospects for IDA19

Two scenarios will determine the prioritization and programming of IDA19 funds:

Scenario 1 – Continued in-conflict engagement: The upcoming CEN (FY20-21) seeks to sustain IDA's commitment to protecting the country's most vulnerable while also sustaining critical institutional capacity. The new CEN will support two primary objectives: (i) provision of basic services for vulnerable populations; and (ii) support for livelihoods, food security, and basic economic recovery. These objectives are underpinned by the cross-cutting principles of preserving institutional capacity and human capital while sustaining lifesaving interventions in conflict.

The IDA19 financial envelope will sustain ongoing emergency engagement as well as finance human capital priorities. The new Yemen CEN emphasizes a programmatic dedication to human capital development, service delivery, institutional capacity preservation, and rebuilding. IDA program will look to further expand support to human capital sectors as resources permit, including education, transportation, and water and sanitation. Through a consultative process with Global Practices, the Yemen Country Management Unit has developed a pipeline of potential operations totaling US$3.2 billion, which can partially be implemented under the IDA19 replenishment and can be accelerated and supported by Yemen's development partners. The pipeline includes operations to address education and learning, restoration of critical transportation, water and sanitation, infrastructure and services, and additional financing for ongoing interventions in health, nutrition, and urban service delivery.

Scenario 2 – Recovery and Reconstruction: Given political uncertainty, the CEN is designed to remain agile and engagement will continue to be calibrated to the political and security context, including in case of a cessation of conflict. In this scenario, Yemen's projected financial envelope will increase to cover both short- and medium-term interventions for Yemen's recovery and reconstruction. This would require an additional IDA19 top-up (e.g., from the Turn Around Facility, the Crisis Response Window, or the Private Sector Window).

The demand for IDA resources under IDA19 is estimated at US$1.5 billion (US$500 million p.a.) and can extend financing for existing Yemen portfolio projects to close, securing basic lifesaving interventions for a period of three critical years, while also supporting a pivot to human capital priorities as underlined by the new CEN. IDA19 funding will initially be used to finance and sustain the existing portfolio of lifesaving interventions, with additional funding to be devoted to priority human capital sectors identified through the existing pipeline. If conditions for peace and reconstruction materialize in Yemen, the financing package received under IDA19 and subsequent top-up will be reprogrammed to finance activities for recovery and reconstruction.