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# INTERNATIONAL DEVELOPMENT ASSOCIATION 20<sup>TH</sup> REPLENISHMENT: PROPOSED STRATEGIC DIRECTIONS

## I. INTRODUCTION

1. **The unprecedented COVID-19 crisis and its impact on poverty, inequality and economic growth have significantly changed the context and development trajectory for International Development Association (IDA) countries.** As the crisis evolves, IDA countries face reversal of hard-won gains on poverty and equity, losing the momentum towards reaching the 2030 Sustainable Development Goals (SDGs). Also, there have been significant setbacks regarding human capital development, food security and debt sustainability.

2. **IDA redoubled efforts with a significant upsurge in financing to support the crisis response within the IDA19 financing framework, but much more is urgently needed.** From the very start, tackling COVID-19 defined the implementation of IDA19, as focus shifted to supporting crisis response. While IDA flexibly deployed support for saving lives and livelihoods, frontloading and re-directing more than forty percent of IDA19 resources involved significant trade-offs, including a financing gap for crisis recovery and longer-term development priorities. This changing context and the subsequent decision to shorten the IDA19 implementation period to two years<sup>1</sup> and advance IDA20 by one year means an unusual replenishment process, which calls for a scaled-up and targeted response to not only recover from the crisis but to also build back better.

3. **The IDA20 replenishment process presents an opportunity to focus on ‘Building Back Better from the Crisis’ and enhancing the existing IDA policy framework to support the transition to a green, resilient, and inclusive future.** The IDA19 framework provided the needed flexibility to respond to the crisis and remains relevant for adapting to the new reality. Management therefore proposes to build on this strong foundation by protecting and deepening the existing architecture, while enhancing strategic areas requiring more systematic focus in the emerging context.

4. **The proposed IDA20 strategic directions seek to balance continuity with innovation by lifting the ambition of several policy priorities, including human capital, crisis preparedness and governance to build back better.** Management proposes to retain *Climate, Gender, Fragility, Conflict and Violence (FCV) and Jobs and Economic Transformation (JET)* as Special Themes; and *Debt and Technology* as Cross-Cutting Issues going forward, with adjustments for sharper focus within each area. *Human Capital* is proposed to feature as a new Special Theme, to be moved from being a Cross-Cutting Issue, to anchor the efforts aimed at covering health, education, safety nets and disability inclusion. *Crisis Preparedness* is proposed as a new Cross-Cutting Issue to reflect renewed emphasis on cushioning IDA countries against a range of future shocks, bringing together focus on pandemics, natural disasters, and food insecurity. Lastly, *Governance and*

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<sup>1</sup> IDA19: Implementation of Policy Commitments and Results Update

*Institutions* is proposed to be broadened into a new Cross-Cutting Issue to highlight its foundational role which cuts across all Special Themes.

5. **This note aims to share broad strategic directions for the new IDA20 cycle, seeking agreement on the proposed Overarching Theme, Special Themes and Cross-Cutting Issues.** The following sections highlight the changed context and set-out possible directions for IDA20, including the proposed Overarching Theme, Special Themes and Cross-Cutting Issues.

## II. THE UNPRECEDENTED CRISIS, WBG RESPONSE: TWIN CHALLENGES OF RECOVERY AND LONG-TERM DEVELOPMENT GOALS

6. **COVID-19 has transformed the world, compounding existing risks and bringing new challenges.** The ongoing crisis set back decades of progress on poverty and shared prosperity in IDA countries, and it is far from over. With an estimated 150 million additional people pushed into extreme poverty globally, including 55 to 63 million in IDA countries, there have been massive disruptions in the economies, health, education, and other essential services.

7. **Along with crisis response, there is an urgent need to rethink pathways and accelerate momentum for achieving the goals of ending extreme poverty and boosting shared prosperity.** From the very start, the urgency to tackle COVID-19 defined the implementation of IDA19, as focus shifted to equipping IDA countries for the crisis response. IDA supported countries mount an extraordinary health, social, and economic response.<sup>2</sup> Of the overall WBG financing of US\$160 billion over April 2020-June 2021, IDA is contributing US\$50 billion in grants and concessional resources. As the crisis and efforts to protect lives and livelihoods continue, accelerated and scaled-up support will be critical for not only recovery but also leveraging the opportunities for countries to build back stronger, adapt to the new reality, and rethink pathways to a more resilient, green and inclusive future.<sup>3</sup>

## III. FROM IDA19 TO IDA20: OPPORTUNITY FOR IDA TO BUILD BACK BETTER, ENABLING A GREEN, RESILIENT AND INCLUSIVE FUTURE

8. **IDA's existing framework remains relevant and provides a strong foundation to support the ambition of a green, resilient, and inclusive future.** The crisis validated the continued centrality of many of the IDA priorities, including *enhancing investments in people* to safeguard against widening inequality; *crisis preparedness and building resilience* against a range of shocks, including pandemics, climate change and food insecurity;<sup>4</sup> *strengthening governance and institutions*; and *creating greener solutions for growth and jobs* while ensuring environmental and social sustainability. From that perspective, the IDA19 architecture remains relevant and provides a solid foundation to adapt to the new reality, while continuing the tradition of innovation to leverage new opportunities for building back better.

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<sup>2</sup> World Bank Group COVID-19 Crisis Response Approach Paper: Saving Lives, Scaling-up Impact and Getting Back on Track

<sup>3</sup> Building Back Better: Pursuing a Greener, More Inclusive, and Resilient Recovery

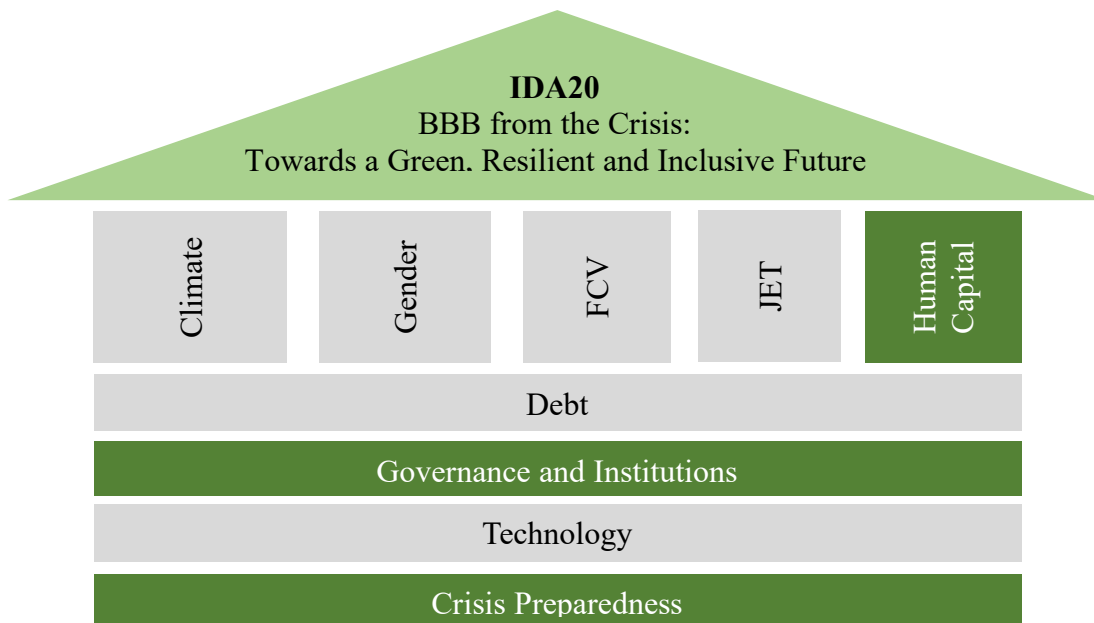
<sup>4</sup> IDA paper: Responding to the Emerging Food Security Crisis

#### IV. PROPOSED IDA20 STRATEGIC FRAMEWORK: BALANCING CONTINUITY WITH INNOVATION

##### A. Proposed IDA20 Overarching Theme: *“Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future”*

9. The proposed Overarching Theme reflects continuity while adjusting for COVID-19 recovery needs and medium to long-term ambition to do things differently (see Figure 1). Using GRID<sup>5</sup> as a lens, it helps maintain a line of sight to long-term development goals, while focusing on immediate to mid-term crisis recovery. By pursuing the proposed approach, IDA countries can enhance the ambition on *climate change, green growth and jobs*, by supporting green businesses and infrastructure investments and strengthening the climate dimensions of food security. It also means that while managing the crisis, countries *renew emphasis on strengthening systems and reinforcing crisis preparedness* to prevent similar shocks. As the pandemic laid bare or even exacerbated existing inequalities, the proposed approach refocuses attention towards *building human capital and targeting resources to vulnerable populations and areas* where inequities, FCV, and climate impede inclusive growth.

**Figure 1. Proposed IDA20 Strategic Framework**



##### B. Proposed Enhancements to Policy Areas and Possible Directions under IDA20: *Adapting to the New Reality*

10. The proposed approach of seeking a *Green, Resilient and Inclusive Future* focuses on consolidating and deepening the existing IDA policy framework. The proposed IDA20

<sup>5</sup> From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)

framework aims to build on the existing architecture while enhancing some areas, where intensified and more systematic effort is needed. Given many competing needs and resulting trade-offs, the proposed approach demonstrates selectivity for a targeted response to the most-pressing challenges of IDA countries. The *organizing principles* include: (i) increasing ambition, sharpening focus, and adapting priorities in the existing Special Themes and Cross-Cutting Issues to leverage emerging needs/opportunities; (ii) consolidating and adjusting the existing Policy Commitments under the Special Themes and Cross-Cutting Issues while keeping the overall number to 40 or under;<sup>6</sup> (iii) improving delivery efficiency and effectiveness; and (iv) maintaining predictability of IDA support to clients.

**11. The proposed IDA20 policy agenda aims to balance continuity with innovation, without increasing fragmentation and complexity.** It is proposed to retain *Climate, Gender, FCV* and *JET* as Special Themes; and *Debt and Technology* as Cross-Cutting Issues under IDA20, while enhancing and adjusting efforts under each area. *Human Capital* is proposed to feature as a Special Theme to anchor the efforts on health, education, safety nets, and inclusion with a strong focus on vulnerable households/groups, including persons with disability (PwD). Similarly, *Crisis Preparedness* is proposed as a Cross-Cutting Issue for building resilience against a range of shocks, including pandemics, natural disasters, and food insecurity. Lastly, *Governance and Institutions* is proposed to be broadened as a Cross-Cutting Issue to highlight its foundational role which cuts across all Special Themes. The objective will be to work with the existing policy commitments embedded in the current framework and integrate them under new themes, with some adjustments. As reflected in Figure 1, most of the pillars (Special Themes) and beams (Cross-Cutting Issues) remain the same from IDA19, with the changes shown in dark green. The total number of pillars and beams stay the same from IDA19, avoiding further complexity.

#### **i. Proposed IDA20 Special Themes**

##### **a. Climate**

**12. The crisis has brought the issue of climate front and center, warranting a sharper focus on enabling a green recovery.** IDA has been supporting countries in adaptation, mitigation as well as climate-smart investments. The crisis calls for bolder climate actions and integrated solutions that address both short and long-term needs, decarbonization objectives, and protect biodiversity and natural capital while stimulating growth and enabling a green recovery. IDA is well placed to capitalize on this opportunity to scale up green investments, including by partnering with private sector and building financial sector capacity to support necessary transitions in energy, food and land use, transport and urban systems, as well as other parts of economy. These efforts will be duly aligned with the Climate Change Action Plan 2021-25.

##### **b. Gender**

**13. Gender equality has been hit hard by the crisis, highlighting the need for IDA countries to redouble efforts under IDA20.** Gains in women's and girls' accumulation of human capital, economic empowerment, and voice and agency have been lost. Women and girls across

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<sup>6</sup> Compared to 44 Policy Commitments under IDA19.

IDA countries have lost access to schools, jobs, businesses, and incomes at a faster rate than men, while struggling with increased unpaid care responsibilities. With schools and work closures, there has been an alarming rise in adolescent pregnancies and gender-based violence (GBV). IDA will need to redouble efforts to support countries in reversing these losses and strengthen gender equality through initiatives that specifically target women's and girls' access/return to learning and economic opportunities, financial inclusion, address GBV issues, and improve services including health, safety nets, education, and care responsibilities.

### **c. Fragility, Conflict and Violence (FCV)**

14. **For IDA Fragile and Conflict-affected Situations (FCS) facing multiple simultaneous crises, the green, inclusive, and resilient development solutions are more important than ever.** The FCV Special Theme and related financing mechanisms remain highly relevant, as the pandemic has compounded the risks. Between 18 to 29 million more people are expected to fall into extreme poverty in FCS, with additional hardship for refugees and host communities. Addressing drivers of FCV, supporting resilience, creating jobs and economic opportunities with private sector, tackling climate and food insecurity in FCS, among others, will continue to be pressing challenges under IDA20. The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) will be important players in de-risking and supporting private sector investments in FCS, including by leveraging IDA PSW.

### **d. Jobs and Economic Transformation (JET)**

15. **The JET agenda continues to be relevant with a renewed momentum, as the pandemic triggered the sharpest decline in growth in decades generating massive unemployment.** Creating millions of jobs and supporting economic transformation in IDA countries will be a huge challenge. Beyond the initial response, support to creating and connecting to markets, green infrastructure investments and reforms in key enabling sectors, with participation of the private sector will be a critical part of ensuring a robust and resilient recovery. There is an opportunity for IDA to support innovations to: strengthen resilience of financial sector, value chains, capabilities of firms, workers and agribusinesses to adopt new technologies; leverage quality infrastructure to generate growth and employment; and enhance preparedness for a fast-evolving world economy.

### **e. Human Capital**

16. **Investing in and protecting Human Capital will be key to building back a green, inclusive, and resilient economy.** *Human Capital* is proposed to feature as a new Special Theme in IDA20 to regain lost ground and address weaknesses that disproportionately impact the vulnerable households/groups, including PwD. A durable recovery hinges on strengthening human capital as a driver for economic growth, and bolstering service delivery systems to build, protect and utilize human capital. The urgency of dealing with 'a crisis within a crisis,' with the pandemic multiplying losses in learning and well-being, underscores the need for enhanced focus on human capital. It is important that citizens in IDA countries are healthy, educated to acquire skills for the jobs of the future, and protected from future shocks by robust, adaptive safety nets and resilient service delivery systems. *In health*, there is a need to scale up investments in affordable, integrated, and resilient systems with a strong focus on universal health coverage, pandemic preparedness,

efficient health financing, and involvement of the private sector. *In education*, investing in shock resilient and inclusive system with long overdue investments in technology, teachers, parents and communities will be key for creating a productive work force of tomorrow. *In social protection*, efficient, digitized, and expanded safety nets will be essential to respond effectively to all crisis – health, climate or economic – and investment is needed before shocks occur. Similarly, resilient labor markets with adaptable programs for economic inclusion, can play a significant role in supporting PwD and re-integrating women into the labor force. *In disability*, besides supporting enhanced access to health, education services and social registries for expanded safety nets, IDA will continue to embed and foster disability inclusion in the overall programming including in infrastructure, labor market, jobs, and other economic development initiatives.

## ii. Proposed IDA20 Cross-Cutting Issues

### a. Debt

17. **Debt sustainability efforts will continue to underpin IDA’s support for a green, inclusive, and resilient recovery.** It is proposed that IDA20 continue to support countries’ efforts to pursue a sustainable debt path. IDA’s grant allocation framework ensures net positive flows of resources to countries most vulnerable to debt distress. IDA support aligns with the Sustainable Development Finance Policy (SDFP) implementation to incentivize actions toward a sustainable debt path, including through debt transparency, debt management and creditor outreach and coordination. This complements the Debt-Service Suspension Initiative (DSSI), which is helping countries to increase COVID-19-related spending and enhance debt transparency, and the Common Framework, which offers a structure for guiding agreements on debt treatments for countries eligible under the DSSI. These efforts will continue to be critical to making informed decisions for an inclusive and resilient recovery.<sup>7</sup>

### b. Technology

18. **The crisis demonstrated the need for continued efforts for improving integration of technology in development solutions.** IDA’s support remains critical to facilitate deployment of digital infrastructure and adoption of new technologies to expand connectivity, coverage, and quality of service, while safeguarding data privacy, governance, and online security. IDA20 can continue to help support technology integration in financial systems and public platforms for service delivery, programs that enhance citizens’ digital literacy, create opportunities for youth employment in emerging sectors and startup ecosystems.

### c. Governance and Institutions

19. **Enhanced focus on strengthening governance capability and institutions in IDA countries will be critical for building back agenda.** Given its relevance across sectors and thematic areas, *governance and institutions* is proposed to be broadened as a Cross-Cutting issue under IDA20. This implies that the existing policy commitments under Governance and Institutions will be integrated in the five Special Themes, with some adjustments. For many IDA countries, economic growth— as well as jobs and productivity growth—was weak before the

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<sup>7</sup> Sustainable Development Finance Policy of the International Development Association: FY21 Board Update.

crisis, and key structural reforms remained unfinished. The crisis impacted progress on important issues such as domestic resource mobilization, while stretching government resources and capacity to respond to urgent needs on multiple fronts. The efforts for building back stronger from the crisis therefore necessitate continued focus in these areas.

#### d. Crisis Preparedness

20. **There is a need to bring renewed emphasis on taking an integrated approach to crisis preparedness.** Having the topic of crisis preparedness as a Cross-Cutting issue under IDA20 will help bring together efforts to strengthen systems and institutions as well as household's resilience against multiple shocks including *pandemics, natural disasters, food security, financial crisis, other socio-economic shocks* and their compounding impacts. Across different types of shocks, IDA can support strengthening core country systems for crisis preparedness, including governance and institutions for crisis response, risk-based decision-making, financing and disbursement mechanisms, scalable social protection, to protect individuals, households, firms, jobs, and country budgets. Besides shock agnostic platforms and mechanisms, crisis-specific measures will remain critical. *On pandemics*, IDA can deepen engagement on strengthening and operationalization of preparedness plans and frameworks, therefore improving national and regional capacity for collaborative disease surveillance, diagnostic, epidemic preparedness and control, safety, and quality protocols. *On disaster resilience*, IDA can reinforce efforts for integrating climate and disaster risk management at scale, and expanding access to high-quality hydrometeorological data, environmental monitoring, and early warning systems linked to pre-arranged financing and effective disbursement mechanisms to ensure timely and effective response, with continued engagement of local communities. *On food insecurity*, there is a strong case for strengthening efforts on prevention of food crisis and supporting agricultural policies/incentives for farmers and agribusinesses to transform/build back better food systems that are more productive, resilient, and environmentally sustainable.<sup>8</sup> Assessing vulnerabilities in country systems for preparedness for different types of crises will help inform dialogue and target investments and interventions on crisis preparedness in IDA20. The existing policy commitments on crisis preparedness will be integrated under this Cross-Cutting Issue.

## V. CONCLUSION

21. The IDA19 framework remains relevant, to not only help IDA countries address the reversal of poverty and equity gains, but also pursue a green, resilient, and inclusive recovery. The advanced IDA20 replenishment cycle is an opportunity to help IDA countries return to their development trajectory and build back stronger from the crisis, by consolidating and deepening the policy agenda without increasing fragmentation. The IDA20 Policy framework proposed in this note seeks to *balance continuity with innovation* by deepening efforts in four Special Themes – climate, gender, FCV and JET – and lifting the ambition of several policy priorities, including *human capital, crisis preparedness and governance and institutions* to build back better.

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<sup>8</sup> IDA paper: Responding to the Emerging Food Security Crisis, November 2020

## **VI. ISSUES FOR DISCUSSION / GUIDANCE / DECISIONS SOUGHT**

22. Does “*Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future*” as Overarching Theme for IDA20 capture the ambition and focus of the IDA20 program adequately?

23. Are the proposed enhancements to the IDA architecture appropriate to support the Overarching Theme and priorities going forward? Specifically, do you agree with:

- a. Deepening efforts on *Climate, Gender, FCV and JET* and *continuing as Special Themes*
- b. Elevating *Human Capital*, into a new Special Theme
- c. Broadening *Governance and Institutions* into a Cross-Cutting Issue; and
- d. Establishing *Crisis Preparedness* as a new Cross-Cutting Issue.

## **VII. NEXT STEPS**

24. Once agreement is reached on the overall framework, management will start preparing Special Theme papers for the June IDA meeting and consulting on the direction and policy commitments under each of the IDA20 Themes/Issues.