IDA17 REPLENISHMENT – FIRST MEETING
March 20-21, 2013
Chairperson’s Summary

The first meeting of the IDA17 Replenishment, hosted by the Government of France in Paris during March 20-21, brought together the IDA Deputies and Borrower representatives to set the agenda and initiate discussions for IDA17. The meeting included observers from the African Development Bank, the Asian Development Bank, and the International Fund for Agricultural Development. Following introductory remarks from Mr. Ramon Fernandez, the Director General of Treasury for France, Participants heard perspectives on progress and development prospects from Government representatives in IDA countries: the Honorable Ken Lipenga, Minister of Finance of Malawi; the Honorable Maung Maung Thein, Deputy Minister of Finance of Myanmar; and the Honorable Sharif Rahimzoda, Minister of Economic Development of Tajikistan. In their remarks, Government officials noted the importance of country leadership and enhanced policy frameworks for sustained development results and highlighted the value of IDA’s partnership in the context of a continuously challenging agenda for poverty reduction.

Participants welcomed remarks from President Jim Yong Kim on strategic directions of the World Bank Group (WBG) along with the opportunity for questions and answers by video conference. Participants noted IDA’s role as the main channel for achieving the goals to eliminate extreme poverty and boost shared prosperity in the poorest countries, with environmental, social and fiscal sustainability. In this context, they highlighted the importance of close alignment between the IDA17 process and the on-going WBG strategy framework and change process.

The meeting benefitted from a presentation of IDA’s effectiveness by Caroline Heider, Director-General of the Independent Evaluation Group (IEG). The presentation focused on IDA’s business model and its role in accelerating the IDA 16 special themes. In this session, Management provided an overview of the ongoing agenda for enhancing operational quality. Participants welcomed the presentations and emphasized the need to strengthen the feedback loop between implementation and evaluation, including through better use of impact evaluation. Equally, Participants called for strong use of lessons learned to support informed policymaking and institutional capacity building in IDA countries and indicated that they would welcome the opportunity to discuss the preliminary findings of the IEG evaluation on fragile and conflict-affected states in the second IDA17 Replenishment meeting.

Setting the Agenda for IDA17. Participants strongly supported the proposed overarching theme of Maximizing Development Impact, as a way to take IDA16’s work on results to the next level. In this context, they welcomed the focus on leveraging IDA resources and knowledge while enhancing IDA’s results, cost effectiveness and efficiency. They also called for a coherent narrative on the role of IDA in the evolving global economic landscape. Participants highlighted the close link between the proposed IDA17 agenda and the forthcoming WBG strategic framework and supported efforts to further deepen synergies among IDA, IBRD, IFC and MIGA. In particular, Deputies welcomed Management’s presentation on the growing momentum of IDA-IFC-MIGA collaboration, including through joint business plans and results frameworks, and noted the examples presented by country-based staff from India and Myanmar. Looking ahead, Deputies also urged greater attention to private sector investment in IDA-only countries.

Participants supported the proposal to carry forward the IDA16 special themes of fragile and conflict-affected states (FCS), climate change and gender equality, where there is still an unfinished agenda. On gender, Participants called for making the assessment of gender-informed projects more rigorous and scaling up focus on women’s economic empowerment and results. On climate change, Participants discussed the importance of measuring the impact of IDA’s work on supporting climate resilient development and discussed IDA’s role and comparative advantage in the climate change financing architecture, also emphasizing the importance of coordination between IDA and the UN as well as other international organizations. Some participants asked that IDA reinforce climate change actions in IDA
operations and integrate newly developed climate-related indicators into the RMS. Management noted that disaster risk management is a key aspect of building resilience in IDA countries and can be integrated under the special theme of climate change. On fragile and conflict-affected states, Participants supported IDA’s efforts to enhance and strengthen support for FCSs and called for the identification of specific actions and indicators to assess and strengthen impact.

Participants also discussed two additional themes proposed for IDA17: inclusive growth and regional transformative initiatives. They noted that inclusive growth captures the WB emphasis on eradicating poverty and promoting shared prosperity, the latter entailing fostering income growth of the bottom 40 percent of the population in every country. Many acknowledged that inclusive growth is a broad concept that is intrinsically linked to agriculture, infrastructure and private sector development and encompasses a range of related themes, including distributional policies (such as taxes and transfers). Several participants supported Management’s proposed focus on jobs, financial inclusion and maximizing the shared benefits from natural resource wealth. At the same time, some cautioned against being overly prescriptive (given the need for a country-based approach). While Participants acknowledged the importance of regional transformative initiatives, most agreed that this need not be a special theme and could be covered as an operational issue under regional programs.

**Fragile and Conflict-affected States.** Participants welcomed IDA’s efforts to enhance support for FCSs in line with the recommendations of the World Development Report (WDR) as well as lessons learned from experience. They welcomed the enhancement of IDA’s operational effectiveness in FCSs and highlighted the importance of measures recently adopted to enhance integration of fragility analysis in CASs/ISNs, address gaps on staff incentives, skills mix and speed of staff deployment, and differentiate approaches for operational policies and risk management practices for FCSs. At the same time, Participants called for specific indicators to assess future progress in the implementation of these measures and encouraged IDA to further improve coordination with other donors.

Participants broadly supported the proposed revised allocation framework to support FCSs, which reflects the paradigm shift called for by the WDR, is more holistic, and links allocations to operational effectiveness and performance. Most Participants welcomed the exceptional regime for “turnaround” countries that would enable IDA to respond to countries facing new opportunities. Some Participants asked for a clearer definition of “turnaround” and asked for further discussion of the criteria for entry and exit along with parameters that would guide implementation of the framework, including defining how to measure results. Most Participants agreed on the importance of striking an appropriate balance between rules and judgment, notably for the exceptional regime for “turnaround countries;” and some stressed that more weight should be given to rules or checks and balances. They welcomed the focus on portfolio performance in the allocation framework for turnaround countries and asked for more information on integrating current post-conflict and re-engaging countries into the new framework.

Most Participants agreed in principle to increase the poverty orientation of the regular PBA, but some called for more information on the rationale for reducing the CPR exponent from 5 to 4. Most Participants supported the increase in the base allocation. Overall, Participants agreed that the magnitude of support would depend on the size of the replenishment and the associated trade-offs. Looking ahead, Participants welcomed the opportunity to further discuss the criteria and parameters that would guide the implementation of the resource allocation framework for IDA17 as well as the financial trade-offs during the 2nd replenishment meeting. To inform that discussion, Management agreed to organize an informal session on these issues at the Spring Meetings.

**Graduation.** Participants welcomed the information provided on expected graduations and timelines. They emphasized that graduation from IDA represents an important milestone in a country’s development and endorsed the continued flexible approach to graduation with the objective of ensuring a successful and lasting exit. At the same time, Participants stressed the importance of coordination between IDA and
IBRD to ensure a smooth transition and to prevent a significant decline in available Bank financing following graduation.

Participants acknowledged the proposed graduation timeline for Angola, Armenia, Bosnia and Herzegovina, Georgia, and India at the end of IDA16. Some participants stated the need to take into account the continued vulnerabilities of some upcoming graduates, especially their limited access to other resources (including financial markets) as well as the domino effect of hardening of terms by other IFIs. Going forward, Participants welcomed the creation of a World Bank task force to further facilitate a smooth transition for graduating countries, including advice on financing levels, access to financial markets, and the contractual accelerated repayment clause upon graduation.

Participants welcomed Management’s proposal to provide transitional support from IDA to new IDA graduates meeting the proposed eligibility criteria, namely: GNI per capita below the historical cutoff, a significant poverty agenda, and a significant reduction in available financing from the Bank after graduation from IDA. However, some Participants questioned the relevance of the poverty agenda criterion, noting that it is not unique to IDA and that IBRD-only countries also have poverty agendas; in this connection, speakers also noted the need for strong commitment to poverty reduction for countries accessing transitional support. Participants discussed the case of India’s eligibility for IDA transitional support during IDA17. Most agreed that India should be eligible to avoid a sudden drastic reduction in the Bank’s overall financing to India as a result of the IBRD Single Borrowing Limit. Also, some Participants recommended to further explore IBRD options. Participants agreed to discuss the size of the transitional support envelope in the context of the replenishment’s overall availability of IDA resources.

**Review of IDA’s Long-term Financial Capacity.** Participants welcomed Management’s review of IDA’s long term financial capacity and instruments along with the review of three options to enhance IDA’s long-term financial sustainability. Most Participants welcomed Management’s proposal to introduce a limited amount of debt in IDA’s financing framework through partner concessional loans, and the possibility to attract additional resources through this mechanism, especially for potential transitional support to IDA graduates. Several noted that the long-term implications for IDA need to be carefully considered, particularly given the substitution risk. Participants endorsed the broad principles to ensure additionality and equitable access, and requested further elaboration on the implementation of these principles. Some questioned linking additionality to IDA16 funding levels. The issue of cross-subsidization was also raised. Participants agreed that only the grant element of concessional loans would be treated as a contribution for burden sharing purposes.

Most participants endorsed the review of lending terms for IDA-only countries in light of the improving economic and financial circumstances in many IDA borrowers, while others emphasized that the terms of IDA’s financial assistance to IDA eligible countries should remain both highly concessional and consistent with the debt sustainability frameworks of affected countries. While some Participants agreed with the introduction of a pilot program for financial participation in IDA projects, others raised concerns about risks such as earmarking.

Participants supported Management’s proposal that the reference exchange rate should be the six-month average from March 1, 2013 through August 31, 2013, recognizing that this is one month earlier than the period used since IDA13 in order to facilitate earlier reporting of the MDRI costs for the IDA17 period. Participants also supported Management’s proposal that the threshold for determining countries that have high inflation rates should continue to be an average annual inflation rate above 10 percent, over the three-year period 20010-2012.

**Follow-up on IDA16 Mid-Term Review.** Participants endorsed the Management’s recommendation to (i) maintain SDR530 million in the Crisis Response Window (CRW) to respond to potential crises in the remainder of IDA16 and, if unused, carry it over into IDA17, and reallocate SDR315 million to increase support for the regional projects; and (ii) extend the access to grants under the IDA Regional Program to
selected institutions not linked to an IDA funded regional project but which support strategic regional priorities. As a follow up to a question raised at the meeting on the institutions that would be eligible for regional grants, some participants later emphasized that IDA may provide grants to public regional institutions only according to IDA Articles of Agreement and sought clarification on the definition of “bona fide regional organization.”

Management informed Participants that the second meeting of the IDA17 Replenishment will be held in Nicaragua. The meeting will be held on July 1-4, 2013 (with July 4 dedicated to field visits).