

CHAIRMAN'S SUMMARY
IDA Deputies Meeting
Paris, France
March 5-6, 2007

1. Deputies of donor countries, joined by representatives of borrower countries and observers from other multilateral banks and agencies, met in Paris to begin discussions on the Fifteenth Replenishment of IDA resources (IDA15). Participants welcomed representatives from new donor countries, Cyprus and Estonia, and expressed their sincere appreciation to the Government of France for hosting the meeting.
2. The analysis of the global aid architecture, presented by the Chairman of the OECD's Development Assistance Committee, was welcomed. Recent ODA trends, including the proliferation of aid institutions, as well as the increase in the earmarking and fragmentation of aid, were noted. While many participants welcomed the recent emphasis on the social sectors, they also expressed concerns about the corresponding shift away from infrastructure, and highlighted the need to achieve balance and complementarity between vertical and horizontal approaches. They also emphasized the need to define the role of IDA in the context of these trends and looked forward to discussing this issue further during the IDA15 discussions.
3. Participants reviewed the lessons which have emerged from the Annual Review of Development Effectiveness over the last several years. They noted the main findings that: poverty reduction required attention to both stimulating economic growth and addressing the constraints to the poor in participating in such growth; and good policies are associated with higher growth as well as successful projects. This discussion was followed by a presentation on recent research which highlighted strong correlation between the main variables used in IDA's resource allocation model and various country/project development outcomes. Some participants requested that Management further examine the relationship between development outcomes and the allocation of IDA resources across countries, while recognizing that the outcomes cannot be attributed to IDA alone.
4. Options for simplifying IDA's Performance-Based Allocation formula, and a proposal for reducing volatility in the portfolio performance ratings, were discussed. Participants endorsed Management's proposal with respect to reducing volatility. On simplification of the allocation formula, participants broadly supported the direction of work undertaken by Management, but indicated the need to reflect further on the information provided in this meeting as well as inputs from further work on IDA's resource allocation framework prior to deciding on a specific option.
5. The analysis on IDA's financial position, including the long-term impact of debt relief and grants, was welcomed. Participants recognized the particular financing challenges resulting from IDA's implementation of the Multilateral Debt Relief Initiative, and they reaffirmed the need for full replacement of lost credit reflows due

to debt relief so as to preserve IDA's financial capacity to assist poor countries in the future. They stressed the need to reduce donors' structural financing gap in IDA, and agreed with Management's recommendations regarding the foreign exchange reference rates for IDA15. Several participants stressed the importance of considering prospective country graduations and enlarging the group of IDA donors. Management was requested to carry out further analysis on the level of liquidity of IDA, the possible acceleration of repayments by IDA borrowers, and possible modification of the pro-rata deferment clause for subscriptions and contributions by donors in IDA15.

6. Management's proposals to proceed with arrears clearance for Liberia, and on the key elements for a systematic approach to arrears clearance cases, were welcomed. Participants supported Management's proposal to present to the Board for approval an exceptional IDA allocation for the amount of IBRD/IDA arrears within the context of a comprehensive arrears clearance plan for preferred creditors. In that context, participants welcomed the pledges made by some donor countries towards clearing Liberia's arrears to the IFIs, and indications from some others that they are considering making such pledges. Some participants called for donors to provide further funding for Liberia's arrears clearance. On the systematic approach to arrears clearance cases, participants broadly supported the key elements proposed by Management which included the eligibility criteria, use of exceptional IDA allocations, financing of arrears clearance through IDA replenishment discussions on a burden-shared basis, the widening of the HIPC Trust Fund and harmonization of IFI's approaches to arrears clearance. Management will propose a more detailed and comprehensive financing framework for the systematic approach to arrears clearance at the second IDA15 replenishment meeting, under the special theme of fragile states (see paragraph 7 below).
7. The following were agreed upon as special themes for further discussion during the IDA15 replenishment negotiations. First, the role of IDA in the global aid architecture, at the country, sectoral, regional and global levels, including its support for debt sustainability of recipient countries. Second, the effectiveness of IDA's assistance at the country level, including: further analysis on resource allocation and development outcomes; achieving and measuring results; and progress in harmonization and alignment. Third, fragile states, including: IDA's strategy, instruments and operational response in supporting fragile states; IDA financing for fragile states; and a systematic approach to arrears clearance.
8. On the timeline for the IDA15 discussions, it was agreed that the next meeting will be held in Mozambique in late June, back-to-back with a pledging meeting for the HIPC Trust Fund.