IDA15 MID-TERM REVIEW

IDA15 Mid-Term Review
Implementation Report

International Development Association
IDA Resource Mobilization Department (CFPIR)

November 2009
**ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAA</td>
<td>Analytical and Advisory Activities</td>
</tr>
<tr>
<td>AE</td>
<td>Aid Effectiveness</td>
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<tr>
<td>AEAP</td>
<td>Aid Effectiveness Action Plan</td>
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<tr>
<td>AF</td>
<td>Additional Financing</td>
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<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
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<tr>
<td>CASCR</td>
<td>CAS Completion Report</td>
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<tr>
<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
</tr>
<tr>
<td>CRW</td>
<td>Crisis Response Window</td>
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<tr>
<td>DPO</td>
<td>Development Policy Operation</td>
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<td>DSA</td>
<td>Debt Sustainability Analysis</td>
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<td>DSF</td>
<td>Debt Sustainability Framework</td>
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<tr>
<td>ECG</td>
<td>Export, Credits and Guarantees</td>
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<td>ESW</td>
<td>Economic and Sector Work</td>
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<tr>
<td>FCS</td>
<td>Fragile and Conflict-affected State</td>
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<tr>
<td>FTF</td>
<td>Fast Track Facility</td>
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<td>FPA</td>
<td>Fiduciary Principles Accord</td>
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<td>FPCR</td>
<td>Food Price Crisis Response</td>
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<td>GAP</td>
<td>Gender Action Plan</td>
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<td>GAVI</td>
<td>Global Alliance for Vaccines and Immunizations</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GEF</td>
<td>Global Environment Facility</td>
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<tr>
<td>GFATM</td>
<td>Global Fund to Fight AIDS, Tuberculosis and Malaria</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>GPOBA</td>
<td>Global Partnership on Output-based Aid</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>HIPC</td>
<td>Heavily-Indebted Poor Country</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>HLF</td>
<td>High Level Forum</td>
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<td>HNP</td>
<td>Health, Nutrition and Population</td>
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<td>IAD</td>
<td>Internal Audit Department</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IEG</td>
<td>Independent Evaluation Group (formerly OED)</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IL</td>
<td>Investment Lending</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INFRA</td>
<td>Infrastructure Recovery and Assets</td>
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<td>IOP</td>
<td>Implementation Oversight Panel</td>
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<td>ISN</td>
<td>Interim Strategy Note</td>
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<td>ISR</td>
<td>Implementation Supervision Report</td>
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<tr>
<td>LDC</td>
<td>Least Developed Countries</td>
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<tr>
<td>LDCF</td>
<td>Least Developed Countries Fund</td>
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<td>LICs</td>
<td>Low-Income Countries</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MDRI</td>
<td>Multilateral Debt Relief Initiative</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<tr>
<td>NCBP</td>
<td>Non-concessional Borrowing Policy</td>
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<tr>
<td>NPV</td>
<td>Net Present Value</td>
</tr>
<tr>
<td>OECD-DAC</td>
<td>Organisation for Economic Cooperation in Development, Development Assistance Committee</td>
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<tr>
<td>OBA</td>
<td>Output-Based Aid</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<td>PBA</td>
<td>Performance-based Allocation</td>
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<td>PCPI</td>
<td>Post-Conflict Performance Indicators</td>
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<td>PRS</td>
<td>Poverty Reduction Strategy</td>
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<tr>
<td>RBCAS</td>
<td>Results-based Country Assistance Strategy</td>
</tr>
<tr>
<td>REDI</td>
<td>Recent Economic Development Infrastructure</td>
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<tr>
<td>RMS</td>
<td>Results Measurement System</td>
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<td>RSR</td>
<td>Rapid Social Response Program</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>STATCAP</td>
<td>Statistical Capacity Building program</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNGD</td>
<td>United Nations Development Group</td>
</tr>
<tr>
<td>VFF</td>
<td>Vulnerability Financing Facility</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
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EXECUTIVE SUMMARY

i. In contrast with the strong global economic circumstances which prevailed during the IDA15 replenishment discussions, the first half of the IDA15 implementation period (July 1, 2008 – December 31, 2009) will have turned out to be among the most challenging periods that IDA countries would have dealt with in recent history. During this period, IDA countries have dealt with the impact of three different crises (food, oil price rise and global financial crisis) with resulting reductions in growth rates and employment and commensurate increases in poverty. Within a fixed IDA envelope, all countries had to redeploy resources to protecting development outcomes already achieved and defer efforts to achieve additional development outcomes and close the gaps towards the MDGs.

ii. IDA has already leaned forward during FY09 and the first quarter of FY10; lending is projected to reach US$20 billion during the first half of IDA15. IDA commitments approved during FY09 and the first quarter of FY10 have already amounted to US$16.2 billion; this support is particularly significant for the IDA-only countries – where IDA assistance amounts, on an annualized basis, to 1.1 percent of their GDP. By the end of the second quarter of FY10 (i.e. half way through the IDA15 period), 45 percent of the IDA15 commitment authority would have been utilized which is higher than the historical use of commitment authority during comparable periods of time (38 percent for IDA14 and 41 percent for IDA13). IDA has also provided an additional crisis response through three complementary operational platforms: the Vulnerability Financing Facility; the Infrastructure Recovery and Assets platform and the IFC-led private sector platform. In addition, the Bank also allowed for increased frontloading, facilitated the country level retention of cancelled resources from project restructuring and streamlined procedures through the IDA Financial Crisis Response Fast-Track Facility.

iii. Given IDA’s fixed resource envelope during a replenishment period, this strong delivery has come about primarily through countries front-loading their assistance which will result in lower levels of resources during the remaining IDA15 period. It will, hence, be important to ensure that the financing framework for IDA15 remains intact. In this regard, it is noteworthy that 42 out of 45 donors have formalized the pledges made by providing IDA with Instruments of Commitment that cover ninety-nine percent of the financing requirements for the first year of IDA15. The key challenge in the financing framework remains the receipt of firm appropriated commitments for donor financing in lieu of the forgone reflows arising out of the Multilateral Debt Relief Initiative. There are various options available to cover this potential shortfall and the recommended option is to amend the MDRI Resolution to harmonize with the African Development Fund and use some internal resources to cover any remaining MDRI financing gap.

iv. Despite financing provided by IDA and other multilateral agencies, a significant financing gap of about US$11.6 billion remains in order to protect core spending requirements in IDA countries. While IDA countries will undertake a variety of measures in order to meet this sizeable need, IDA could provide further assistance through two key measures which are being proposed for consideration by IDA Deputies:

   i) Establishment of a crisis response window (CRW) within the IDA financial architecture. This window would be operational during the IDA15 period and would assist IDA countries to protect core spending on health, education, safety nets, infrastructure and agriculture; and

   ii) Eliminating the MDRI netting out mechanism which is reducing and will further lead to reductions in IDA allocations for many countries in Africa and Latin America and the Caribbean.
Even while supporting countries in grappling with the impact of the crises, IDA achieved good progress in delivering on the key elements of the IDA15 policy framework (i.e. the three “special themes of IDA15”). To reinforce IDA’s own development effectiveness as well as to enhance its role as a “platform”, the IDA15 policy framework includes a series of measures to reinforce the effectiveness of IDA in the three special themes i.e. IDA’s role in the global aid architecture; IDA’s country-level effectiveness and IDA’s effectiveness in fragile states.

IDA’s role in the global aid architecture

IDA played an unprecedented role in supporting its client countries as they weathered the immediate effects of the consecutive food, energy and financial crisis. Simultaneously, IDA continued its support to the areas important for the long-term development agenda, particularly climate change, gender equality and regional integration.

Given the multi-sectoral nature of climate change, IDA is recognized as an appropriate platform to mainstream the necessary actions into country level strategies. Over the past year IDA made important progress in several areas. For example, compared to IDA14 financial support to climate change adaptation has been scaled up significantly during IDA15 including a 17 percent increase in funding for sectors vulnerable to climate change and a nearly threefold increase in financing for renewable energy and energy financing. IDA has been working with other donors in designing and implementing new (and additional) financing mechanisms for climate actions. IDA also made some headway mainstreaming climate change risks into CASs and continued to fill important knowledge gaps on the impact of climate change in IDA countries. Notwithstanding the positive progress, monitoring adaptation efforts is challenging, particularly since most interventions have to be built into core development efforts.

Following the introduction of the World Bank Gender Action Plan (GAP), the Bank made some progress in mainstreaming gender issues in IDA country operations and analytical work with the most significant increase being in the economic sectors. Over 63 percent of GAP initiatives are carried out in IDA countries and 68 percent of GAP funds are spent on IDA country operations or analysis. Integration of gender issues in IDA CASs remained high in FY08 (82 percent). There was also progress in strengthening collection of sex-disaggregated and gender-relevant statistics. Drawing on reviews of the Bank’s recent experience in implementing the GAP, the overall Bank Gender strategy and the findings from IEG’s ongoing evaluation of the Bank’s Gender Strategy, Bank Management will be preparing a GAP transition plan, which will also provide the basis to sustainably integrate the lessons of the GAP in strengthening gender mainstreaming for the remainder of the IDA15 and for the IDA16 implementation period and the medium-term.

IDA continued its support to regional integration through scaling up the Regional Program. So far, during the IDA15 period, nine operations have been approved for US$713 million and demand for regional projects remains strong in the Africa region and is growing in other regions. While there has been progress, the quality of the regional portfolio is uneven and disbursements remain low, particularly in power sector projects. Management is committed to continuing to addressing important weaknesses especially during project design and implementation given the high development impact of regional projects.

IDA’s country-level effectiveness

IDA continued to make good progress in increasing effectiveness at the country level by advancing the aid effectiveness agenda, improving IDA’s operational efficiency and strengthening the results orientation of its programs and operations.
xi. **During IDA15 the Bank continued to implement the aid effectiveness agenda,** with good progress in meeting its commitments in four main areas: (i) strengthening country ownership and increasing reliance on country systems; (ii) building more effective and inclusive partnerships, including with nontraditional partners; (iii) delivering and accounting for development results, including good progress on aid predictability; and (iv) shaping the aid effectiveness agenda and supporting its implementation mainly through decentralization efforts.

xii. **IDA increased its operational flexibility and responsiveness.** Among the main initiatives were: improving IDA’s products and service delivery to clients by through the additional financing and rapid response reforms, and commencement of the Investment Lending reform; and implementation of the recommendations of the IDA Controls Assessment.

xiii. **IDA continued strengthening results measurement through the introduction of several enhancements in the IDA Results Measurement System (RMS).** This included: capturing and measuring outputs directly linked to IDA projects; and a set of standardized, well-defined and easily measurable Tier 2 Core Sector Indicators being developed for four sectors (education, health, road transport and water supply) to be used in all IDA-supported investment operations. Work is ongoing strengthening the impact of the Bank’s Analytical and Advisory Activities (AAA). Finally, work is continuing to provide support in the area of statistical capacity building in IDA countries.

**IDA’s Effectiveness in Fragile States**

xiv. **To strengthen IDA’s role in fragile states, significant actions have been taken on the operational front though more remains to be done given the many challenges facing fragile states.** Operational actions focused on: (i) human resources reforms particularly in increasing the number of internationally recruited staff above GE level in Fragile and Conflicted Affected Countries (which had gone up by 68 percent in February 2009 compared to FY06 with most of this increase being in Africa); (ii) improved cooperation with the UN, European Union and OECD/DAC; (iii) adaptation of CASs to fragile and conflict-affected environments; and (iv) the development of indicators to measure progress in state building and peace building activities which are delayed compared to the original timetable but would still be achieved during the IDA15 period.

xv. **The external panel review of the Post-Conflict Performance Indicators (PCPI) has also been completed and the implementation of the panel’s recommendations has commenced.** This will require several intermediate steps (developing, pilot testing and refining revised criteria). The final scores based on the revised PCPI would be used to determine the FY12 exceptional IDA allocations and would be disclosed in June 2011, before the start of IDA16.

xvi. **The lengthening of the phase-out period for exceptional post-conflict and re-engaging allocations kept all twelve countries eligible and increased resource levels to the nine post-conflict countries by over 50 percent and to the three re-engaging countries by a doubling of what they would have received under the IDA14 arrangements.** However, given the daunting development challenges fragile states are facing especially in the aftermath of the global economic crisis, there is a need to continue to support them. Fragile states would particularly benefit from the proposed changes in the IDA financing framework (i.e. the CRW and the elimination of the MDRI netting out) which are proposed for consideration by IDA Deputies.
INTRODUCTION

1. **IDA countries experienced an extended period of economic growth preceding the global financial crisis.** Per capita GDP, which fell during the 1980s and the first half of the 1990s, grew by 3.5 percent annually from 1995 to 2005, and accelerated further to 5.8 percent annually from 2005 to 2008. Underpinning this growth performance, IDA countries had improvements in international trade, domestic investment and foreign investment. 1

2. **IDA15 was the largest replenishment in IDA’s history and benefited from strong economic conditions in donor countries and continued commitment of the international community to supporting IDA.** The IDA15 replenishment resulted in US$41.6 billion of financing for the three year implementation period (July 1, 2008 to June 30, 2011) which is US$9.5 billion (or 30 percent) higher than the IDA14 replenishment in dollar terms. This exceptional level of resources would become an important source of support for IDA countries as they experienced several crises.

3. **At the start of IDA15 in July 2008, the unprecedented surge in fuel and food prices had already commenced.** Prices of wheat, corn, rice and other basic foodstuffs doubled or tripled, with significant effects in IDA countries particularly commodity importers. High prices led to deteriorating external balances, rising inflation, and falling private consumption with a severe impact on the poor for whom expenditures on food and fuel often represent more than half of household expenditure. World cereal prices have retreated since mid-2008 although food prices in August 2009 remain 50 percent above their levels before the crisis and the chronically malnourished still exceed one billion.

4. **Even as food and subsequently fuel prices retreated, the global financial crisis commenced during the second half of 2008.** The crisis spread from the financial sector to the real economy in developed countries and from developed to developing countries. The negative impact of the crisis is being transmitted through several channels (exports, remittances, tourism and foreign direct investments) and will result in falling growth rates, reduced employment and higher poverty in the short- and long-term. 3 For example, GDP growth in 2009 for all IDA countries is currently estimated to be around 2.2 percent down by 3.2 percentage points from 2008. Human costs will also be high with many social indicators likely to deteriorate (e.g., 30 to 50 thousand additional infant deaths in Sub-Saharan African countries).

5. **While the global recession may be coming to an end in developed countries, it will take longer to end in IDA countries and it will take even longer for them to return to the previous trajectory of economic growth.** As seen in previous crises, given the larger and longer impact on the poor and the vulnerable groups in IDA countries, prior progress in achieving poverty and human development MDGs is likely to be stalled or even reversed. It is expected that many IDA countries will emerge from the current crisis even further away from their development objectives, with the impressive gains achieved in recent years largely eroded.

6. **In this broader context, this IDA15 Mid-Term Review (MTR) Implementation Report summarizes the progress in implementing IDA15 commitments underscoring several challenges that**

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1 Between 2000-2008, exports rose from 20 to 28 percent of GDP), gross capital formation from 22 to 33 percent and net private capital flows from 1 to 7 percent.

2 Oil prices have dropped sharply from the US$150 range reached in July 2008 to US$40 at the end of 2008 before rebounding to US$70 by mid-2009.

have arisen as a result of the global financial crisis. The report presents an overview of implementation status and synthesizes issues presented in other MTR papers. It is organized into four chapters. Chapter I provides IDA’s current and projected financial assistance to eligible during the first half of IDA15 period (July 1, 2008 to December 31, 2009). It also summarizes the proposal to augment this during the second half of the IDA15 period with the introduction of an IDA crisis response window. Chapter II highlights progress achieved with the implementation of IDA15 policy framework. Chapter III discusses the management of IDA’s finances, including financing of debt relief and arrears clearance. Chapter IV provides the main conclusions of the report. In addition, the report provides a detailed list of IDA15 commitments (some of which are not due as of the MTR date) and the actions undertaken to fulfill them (in Annex 4).

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4 See Annex 5 for a list of papers provided for the IDA15 MTR as well as other references.
I. IDA’S FINANCIAL ASSISTANCE IN IDA15

7. This chapter provides an overview of IDA’s financial assistance during the first half of the IDA15 implementation period (July 1, 2008 – December 31, 2009) and progress in implementation of IDA’s performance-based resource allocation system, including the experience with the MDRI netting out mechanism. Finally, the chapter describes the main initiatives of IDA’s response to the ongoing financial crisis, their main shortcomings and provides several policy changes proposed for MTR discussions.

1. Lending and Disbursements during IDA15

8. The first half of IDA15 would be characterized by strong IDA performance on commitments and disbursements underpinned by growing demand for concessional resources in IDA countries affected by the crisis. Total IDA commitments, comprising credits and grants, amounted to SDR 9.2 billion (US$14.0 billion) in FY09 (up from SDR 7.1 billion in FY08) and SDR 1.42 million (US$2.2 billion) during the first quarter of FY10. This increase reflects strong demand from IDA countries for concessional resources and a timely IDA response to the growing need backed by the larger IDA15 envelope. If this strong trend continues, lending is projected to reach approximately US$20 billion during the first 18 months of the IDA15 implementation period. After excluding the use of remaining IDA14 funds and other adjustments, approximately US$18.8 billion or 45 percent of IDA15 commitment authority would be utilized. The efforts that IDA has made to lean forward are apparent given that the use of replenishment authority during the first 18 months of the last two IDA periods has been lower (38 percent during the first 18 months of IDA14 and 41 percent during IDA13), (see Figure 1).

9. The importance of IDA’s financial assistance is further underscored when measured as percentage of GDP. As Table 1 shows, IDA support to IDA-only countries during FY09 and the first quarter of FY10 accounted for 1.1 percent of their GDP. Support to blend countries (including US$6.3 billion from IBRD) stood at 0.6 percent of GDP. In comparison, IBRD lending to IBRD countries was US$37.5 billion or 0.2 percent of GDP.

Sources: World Bank Loan Kiosk and CFPIR database.
1/ Data on the percent of total of the respective replenishment period are in brackets.
2/ Data for IDA15 include actual commitments in FY09 and in the first quarter of FY10 as well as the projected commitments in the second quarter based on the corporate high case scenario, but exclude IDA14 recommitments and IDA guarantees.

Of the US$14 billion committed in FY09, US$10.8 billion was for investment operations; US$2.8 billion was for development policy operations (DPOs); and US$0.4 billion was for guarantee operations. DPOs accounted for 21 percent of total commitments, slightly down from the average share of 24 percent during the IDA14 period (FY06-08).

New operations totaled 176 in FY09, compared to 199 in FY08, and 22 in Q1 FY10.

Eleven operations (worth SDR 0.5 billion) funded from IDA14 commitment authority were postponed to FY09 (referred to as grace period operations). Further, only 25 percent of the value of guarantees was charged to commitment authority. Finally, cancelled funds which were recommitted were not counted against IDA15 commitment authority.
Table 1: IDA and IBRD lending to IDA and IBRD countries (1)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Number of countries</th>
<th>2008 GDP (US$ bn)</th>
<th>Pop. (bn)</th>
<th>IDA commitments FY09 &amp; FY10Q1 (US$ bn)</th>
<th>% of GDP (2)</th>
<th>IBRD commitments FY09 &amp; FY10Q1 (US$ bn)</th>
<th>% of GDP (2)</th>
</tr>
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<tbody>
<tr>
<td>IDA-only</td>
<td>61</td>
<td>951</td>
<td>1.1</td>
<td>12.6</td>
<td>1.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Blend</td>
<td>14</td>
<td>1,543</td>
<td>1.4</td>
<td>3.6</td>
<td>0.2%</td>
<td>6.3</td>
<td>0.4%</td>
</tr>
<tr>
<td>IDA total</td>
<td>75</td>
<td>2,485</td>
<td>2.5</td>
<td>16.2</td>
<td>0.5%</td>
<td>6.3</td>
<td>0.3%</td>
</tr>
<tr>
<td>IBRD countries</td>
<td>63</td>
<td>15,785</td>
<td>3.0</td>
<td>-</td>
<td>-</td>
<td>37.5</td>
<td>0.2%</td>
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Source: WB CFPIR and DEC databases

(1) Data exclude four inactive countries
(2) GDP for 2008 extrapolated for 15 months

10. **Africa continued to be the largest IDA recipient, with 56 percent of total FY09 commitments and 47 percent of total FY09 disbursements.** South Asia was the second largest accounting for about a third of FY09 commitments and disbursements; followed by East Asia. IDA’s disbursement ratio for investment operations increased to 24.2 percent in FY09, up from the ratio of 21.4 percent in FY08 and from the annual average of 23.6 percent during IDA13-14.

11. **IDA maintained its strong support for infrastructure and social sectors.** Support for infrastructure, after having reached a share of 38 percent of total commitments in FY08, returned to 35 percent in FY09, slightly higher than the annual average during IDA14 of 33 percent. Significant support was also provided to social sectors, which includes health and social services, and education. The share of social sectors in total commitments was 26 percent in FY09, higher than the annual average of 23 percent during IDA14 though this was due mainly to a large health and social services operation in India being presented as part of the FY09 grace period operations.

![Figure 2: FY09 IDA Commitments by region and sector](image)

12. **IDA also scaled-up its support to regional cooperation under the framework of its Regional Program.** During the first-half of IDA15, seven new regional projects and two additional financing operations were approved for US$713 million (SDR 466 million) in IDA commitments. All regional operations approved so far during IDA15 were in the Africa region. Demand for regional projects remains

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8 Comprised of four major sectors: Energy and Mining; Information and Communication; Transportation; and Water, Sanitation and Flood Protection.

9 The larger share of infrastructure in FY08 was due mainly to the lumpy transactions in the transport sector in country-specific and regional projects; transport accounted for 21 percent of total IDA commitments for investment operations in FY08, compared to 12 percent in FY09.

10 The IDA14 financing of SDR 320 million for the India National Vector Borne Disease Control and Polio Eradication Support operation was approved on July 31, 2008.
strong in the Africa region and is growing in other regions and expected to remain strong throughout and beyond the IDA15 period.

13. **Disbursements also began to increase with a lag with a sharp increase during the first quarter of FY10.** While disbursements in FY09 were largely on par with FY08 (at US$9.2 billion), disbursements during the first quarter of FY10 reached US$3.4 billion (up from US$1.9 billion over the same period in FY09). DPOs increased by almost US$1 billion compared to the same period in FY09 (with Africa accounting for more than half the increase) and there was also a noteworthy increase in investment lending of US$600 million (which occurred mostly in South Asia and Africa).

2. **IDA Performance Based Allocation System**

14. **The PBA system remained central to the effective use of IDA funds during the IDA15 period, directing more resources to countries which have achieved better development results.**11 The system was implemented consistent with the agreements at the IDA15 replenishment discussions.12 First, IDA continued to allocate resources in accordance with PBA system, using the simplified additive functional formula agreed for measuring country performance rating during the IDA15 replenishment. Second, base allocation were increased from SDR1.1 million to SDR1.5 million per annum (and the cap on per capita allocations from SDR13.2 to SDR19.8), thereby benefiting small countries. Third, as agreed, for the first time in August 2009, Management informed IDA’s Executive Directors of the FY09 country allocations and commitments. Finally, the bulk of IDA’s assistance, thus far approximately 56 percent, has continued to flow to Africa, supporting the efforts of the poorest countries to make progress towards the MDGs.

15. **IDA increased its front-loading limits for countries affected by the financial crisis as well as provided direct exceptional allocations to address the urgent needs in the aftermath of natural disasters.** Front-loading allowed IDA countries in Africa to commit US$590 million beyond their FY09 annual allocation, which helped several countries in coping with the impacts of three successive crises. In addition, in FY09 exceptional allocations were provided to two countries, Haiti and Yemen, to support their recovery after major natural disasters.13

16. **As in IDA14, IDA continued to provide grants based on a country’s risk of debt distress as assessed through the forward-looking debt sustainability framework (DSF) for low-income countries.**14 Thirty eight countries were eligible for grants in FY09 and 36 in FY10 based on the traffic lights, compared to 40 countries in FY08.15 In FY09, IDA grants were committed for a total of SDR 1.7 billion (US$2.6 billion), down from SDR 2.0 billion (US$3.2 billion) in FY08 (which included SDR 0.6 billion worth of arrears clearance operations in FY08), but still higher than the annual average of SDR 1.3 billion during IDA13-14. Grants accounted for 19 percent of total IDA commitments in FY09, representing a

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11  IDA countries in the top performance quintile received around 7 times in commitments per capita as those in the lowest quintile in FY09.
13  Specifically, Haiti and Yemen received exceptional allocations of US$40 million and US$35 million respectively.
14  Countries rated under the DSF as in debt distress or at high risk (“red light” countries) receive 100 percent of their allocations on a grant basis, those at moderate risk (“yellow light”) receive 50 percent of their allocations on a grant basis, and those at low risk (“green light”) receive 100 percent of their allocations on a credit basis.
15  In FY09 there were 26 “red-light” countries and 14 “yellow-light” countries; while in FY10 there were 26 and 12 countries respectively. These numbers exclude the inactive countries but include Timor-Leste, which is an exception to the debt-distress-based grant eligibility criterion. The country is eligible for grants based on its post-conflict status.
decrease over the share of 29 percent in FY08 and over the annual average of 21 percent in IDA13-14.\(^{16}\) Africa continued to be the largest recipient of IDA grants, receiving US$1.9 billion or 77 percent of total grant commitments in FY09.

17. **Under the Multilateral Debt Relief Initiative (MDRI) agreed in 2006 by the G8, IDA allocations are affected through a two-step process.** In the first step, an eligible country’s forgone debt service in any given year will be deducted from its annual PBA allocation. In the first step, “gross assistance flows” to eligible countries are reduced by the amount of debt service forgiven (so called “MDRI netting out”). This is done in order to help reduce moral hazard and promote equity of treatment among low income countries. In the second step, the “compensatory” donor contributions received in lieu of debt relief are then reallocated to all IDA-only countries using the PBA system. New IDA allocation on an annual basis would therefore be composed of a “gross” PBA allocation, minus the debt service forgone in the same year, plus a reallocation from donor compensatory resources for debt relief.

18. **While the original rationale for MDRI netting out was to allay moral hazard and ensure equity of treatment, it has led to an asymmetric effect.** The long-term impact of the MDRI on new IDA allocations will depend on the relative magnitudes of a country’s gross PBA allocations on the one hand and its forgone debt service on the other. Under a set of conservative baseline assumptions about IDA resource availability and country graduation from IDA, projected new IDA allocations after MDRI netting out would become negligible for some African and Latin American countries (see Box 1).

19. **The decline in new IDA allocations will in turn have significant consequences for both the countries affected as well as for IDA’s country programs.** In cases where new IDA allocations fall to zero, IDA will be unable to provide new resources to these countries, thereby risking reversals of the modest development and poverty reduction gains that have been achieved in the past. Furthermore, to the extent that IDA’s level of funding in these countries, especially in Sub-Saharan Africa, falls below a “critical mass,” IDA will find it increasingly difficult to play its “platform” role,\(^{17}\) with the potential for aid effectiveness in these countries being significantly compromised.

20. **The IDA15 MTR netting out paper provides a careful consideration of several options and a recommendation to IDA Deputies to eliminate MDRI netting out mechanism.** The elimination of netting out not only ensures a higher level of IDA resource flows to the most affected countries but also helps simplify the PBA system. For the most severely affected countries, new IDA allocation would thus at least more than double starting from IDA17 and no country’s allocation would become close to zero. This option will help mitigate the risks of IDA disengagement, reduced donor coordination, and even

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\(^{16}\) The higher amount of grants in FY08 was due to the arrears clearance operations in Cote d’Ivoire, Liberia and Togo (SDR 0.6 billion), which accounted for almost a third of total grant commitments in FY08.

reversals of hard-won development gains achieved over many years in these countries. Further, the additional IDA resources will in turn allow these countries to respond to the impact of the global crisis in the short term, and maintain stability and growth, and assist in the provision of key services that will allow them to make progress towards the MDGs over the long term. Eliminating the MDRI netting out will also have the added benefit of reducing administrative costs, simplifying the PBA system, and contributing to greater transparency on country allocations.

3. IDA’s Response to Global Crisis

21. The World Bank Group’s crisis response has been organized around three themes: (i) protecting the most vulnerable from the fallout of the crisis; (ii) maintaining long-term infrastructure investment programs; and (iii) sustaining the potential for private sector-led economic growth and employment creation, particularly through SMEs and microfinance. The themes are being addressed through three operational platforms: the Vulnerability Financing Facility (which comprises the Global Food Crisis Response Program - GFRP - and the Rapid Social Response Program - RSR), the Infrastructure Recovery and Assets (INFRA) platform, and the IFC-led private sector platform (see Box 2).

22. In addition to significantly scaling up commitments, the Bank also allowed for increased frontloading, facilitated the country level retention of cancelled resources due to project restructuring and streamlined procedures through the IDA Financial Crisis Response Fast-Track Facility (FTF). The FTF can fast track up to US$2 billion of financial assistance; by October 2009, new IDA commitments under the FTF amounted to about US$1.5 billion for operations in 11 countries in three regions (AFR, EAP, and ECA), and accounted for 7 percent of total commitments in FY09. AFR was the largest recipient of FTF commitments in FY09 (56 percent). EAP and ECA followed with 40 percent and 3 percent respectively.

23. Despite these efforts, there remains a significant financing gap to protect core spending in IDA countries, with financing needs during the remaining 18 months of IDA15 likely to remain at levels similar to those estimated for 2009. IDA countries have generally reacted to the shrinking of fiscal resources through increased fiscal deficits. However, incremental spending accounts for very little of the increased deficits even as a wide range of social protection measures have been instituted or scaled up. Dealing with the impact of the crisis represents a formidable fiscal challenge for IDA countries given that core spending in IDA-only countries are estimated at about US$11.6 billion (or 1.2 percent of GDP) for 2009 and 2010. Covering these amounts from additional aid would require a sizeable increase in country programmable aid by about 33 percent in 2009 compared to the forecast that overall levels of ODA could be impacted negatively as a consequence of the global economic crisis. While the MDBs have been counter-cyclical lenders and being early in their replenishment cycles have been able to scale up lending significantly, this has been achieved through front-loading which simply accelerated the commitment of fixed levels of resources.

24. Failure to maintain core spending in IDA countries would jeopardize not only their progress towards the achievement of MDGs, but also prolong the adverse impact of the crisis. While there are

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19 This amount includes funding requirements for the expansion or improvement of social safety nets and protecting pre-existing levels of spending on health, education, and operation and maintenance of existing infrastructure.
20 An OECD survey of donor forward spending plans indicates that country programmable aid to IDA-only countries will decline from about US$35.8 billion in 2008 to about US$33.8 billion in 2009.
signs that the global economy is recovering, there is significant uncertainty over the pace and strength of such recovery and concern that it may take much longer for IDA countries to return to pre-crisis growth paths. With fiscal and borrowing constraints, additional concessional financing would be warranted to ensure that the hard-won macroeconomic stability in most IDA countries is not lost, and a smooth return to a sustainable growth and debt path can be facilitated.

25. **The crisis also showed that IDA’s ability to respond fast to crisis situations is limited.** IDA’s quick response to this economic crisis was possible because it redeployed its existing resources. However, in the long-term it is necessary to improve IDA’s ability to help countries reduce economic vulnerabilities through both the provision of additional resources and allocations which are based not on long-term development performance but on crisis impact.

26. **A Crisis Response Window (CRW) is being proposed for establishment through a two-phase process.** In the first phase, IDA deputies would be requested to endorse at the IDA 15 Mid Term Review the immediate establishment of a crisis response window in IDA 15 to assist IDA countries in mitigating the impact of the current global crisis. In the second phase, a proposal for a more general crisis response window will be presented for consideration by the IDA Deputies during the IDA 16 replenishment process in 2010.

27. **The IDA15 CRW would focus on protecting core spending.** CRW would aim to initially provide additional financing of up to US$1.3 billion focusing on protecting core spending in non-oil exporting IDA-only countries. Its goal would be to assist countries in dealing with the impact of the current global economic crisis, including through:

   a) Developing, implementing and monitoring programs to manage the poverty, social, and economic impact of the crisis;
   b) Providing financial assistance to protect core spending on health, education, social safety nets, infrastructure, and agriculture in eligible countries; and
   c) Offering IDA’s catalytic platform services to facilitate the effective use of all domestic and external resources applied to fight the impact of the global economic crisis.
4. Results, Development Outcomes and Resource Allocation

28. One approach to assessing the link between IDA’s financial resources and results is at the project level by capturing outputs directly attributed to IDA’s interventions. Aggregation of outputs achieved from individual projects during IDA15 is challenging due to, inter alia, the short implementation period and the fact that project outputs are usually delivered after a significant lag after a project commences. Hence, the focus is on projects which are currently under implementation. Results can be measured at two points in time: at project exit and during its implementation.

29. At project exit, the completion reporting for the 32 IDA projects which closed during FY08/09 shows that IDA water and sanitation projects benefitted over 2 million beneficiaries by constructing close to 4,000 new water connections and 93,000 new sanitation facilities; IDA transport projects rehabilitated almost 900 km of roads and IDA health projects trained close to three thousand professionals and distributed 85,000 insecticide treated bed nets.

30. The portfolio currently under implementation also provides a sample of results that these projects had already achieved as of August 2009.  

21 Based on an analysis of the Implementation Status and Results Reports of 261 operations that were under implementation during IDA14-15.
i) In education, IDA projects constructed or rehabilitated 600,000 additional classrooms and trained 1 million additional primary level teachers.

ii) In health sector 7 million people gained access to a basic package of health, nutrition, or population services; 275,000 health personnel received training; 2,000 health facilities have been constructed, renovated or equipped; 7.2 million children have received a dose of Vitamin A, and over 800,000 children have been immunized; 21,400 adults and children with HIV have received antiretroviral therapy.

iii) In road sector, IDA projects helped construct or rehabilitate 2,480 kilometers of rural roads and 1,790 kilometers of non-rural roads. Finally in water supply about 8,500 community water points and over 200,000 piped household water connections have been constructed and/or rehabilitated. In addition, IDA projects supported 1,360 water utilities and water service providers.

31. Finally, crisis response measures provide more immediate outputs. For example, GFRP supported efforts to improve agricultural productivity in Bangladesh, Mozambique, and Rwanda, a “cash for work” program in Sierra Leone, and nutritional support for vulnerable mothers in Moldova. Agricultural investment programs in countries include fertilizer procurement and distribution in Ethiopia, the Kyrgyz Republic, and Niger, seed distribution in Tajikistan, and rehabilitation of small-scale irrigation schemes in Afghanistan. Early results are encouraging; for example over 265,000 children have benefitted from school feeding programs, and over 239,000 farmers have benefitted from over 63,000 tons of fertilizer and over 2,400 tons of seeds.

32. **Another approach is to take a longer-term view of the relationship (not seeking attribution) between IDA’s resource allocation and development results.** This work was originally undertaken during the IDA15 replenishment process. This analysis, updated for the IDA15 Mid-Term Review confirmed that countries to which IDA allocates more resources based on their better policy and institutional performance ratings (as measured by CPIA) continue to show better improvements in human development and growth outcomes. These findings also hold good when examining actual IDA allocations and commitments and changes in the Human Development Index (HDI). This updated analysis demonstrates that as a consequence of the various measures of needs in IDA’s PBA system—in particular the base allocation, capping of large creditworthy blends, and exceptional post conflict and reengagement allocations—countries with more development needs receive far more (from 21 percent to 49 percent) than if the system were to be based exclusively on performance (see Figure 3).

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22 As part of the IDA15 replenishment discussions, IDA undertook a study entitled “Selectivity and Performance: IDA’s Country Assessment and Development Effectiveness”, (IDA, 2007b). IDA Deputies requested for an update to this study at IDA15 MTR. Accordingly, IDA subsequently prepared a paper entitled, “IDA’s Performance-Based Allocation and Development Results: An Update” (IDA, 2009m), which updated as well as extended the analysis in the Selectivity Paper.
II. IMPLEMENTATION PROGRESS WITH IDA15 POLICY FRAMEWORK

33. At the IDA15 replenishment discussions, Deputies identified three “special themes” as areas of focus and provided a series of operational, policy and financial recommendations to reinforce the effectiveness of IDA in all low-income countries, with special focus on Sub-Saharan Africa. The special themes included: (i) IDA’s role in the global aid architecture; (ii) IDA’s country-level effectiveness; and (iii) IDA’s effectiveness in fragile states. While improvements in the policy framework would be essential to the long-term development mission of the Bank, many areas became even more relevant in the context of the crises as the focus of the underlying reforms was on making the Bank more responsive and effective.

34. This chapter reports on IDA’s enhancements in its policy framework to improve its responsiveness in the short-term “crisis mode” as well as to better serve its clients in the long-term. The sections detail the Bank’s progress in meeting commitments for the IDA15 Replenishment (please also see Annex 4), discuss what was learned from the experience in selected areas, and drawing on this experience point to some conclusions for the way forward.

5. The Role of IDA in the Global Aid Architecture

35. During the past 18 months, as the economic and financial crisis spread world-wide, IDA’s role in the global aid architecture has even more important. IDA played an unprecedented role in supporting its client countries weathering the immediate effects of the consecutive food, energy and financial crisis. As discussed in section 1, IDA significantly scaled up its commitments through front-loading, streamlining procedures and facilitation of project restructuring. Additionally, at the request of its clients as well as donors, IDA conducted important analytical work examining the impact of the crisis on IDA countries and resulting financing needs.

36. Simultaneously, IDA continued its support to the areas important for the long-term development agenda, including debt sustainability, regional integration and climate change. While good debt management has always been important in maintaining macroeconomic stability, in the crisis situation, Governments face a more difficult task of addressing urgent short-term needs without compromising long-term development objectives. IDA continued its debt relief efforts as well as providing its assistance on grant terms to countries at the highest risk of debt distress. Additionally, to aid
low income countries, IDA, in close collaboration with the IMF, continued its assistance to low income countries, especially those benefitting from debt relief, in attaining and maintaining debt sustainability. Finally, IDA maintained its financial and technical support to the regional and global priorities, including regional integration, addressing the challenges of climate change and mainstreaming gender. This section discussed progress achieved in the above-mentioned long-term priority areas.

5.1 **IDA’s Role in Ensuring Debt Sustainability**

37. **IDA continued to provide debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).** Out of 40 HIPC countries, 26 have reached the completion point (including three additional countries - Burundi, Central African Republic and Haiti – in FY09) and qualified for the MDRI; 9 have reached the decision point and 5 have yet to reach the decision point. **The debt burden reduction in these countries could, however, be quickly reversed if their new borrowing strategies are unsustainable.** The risk of that has heightened as a result of the global financial crisis as governments seek additional financial resources to address the shock caused by declining FDI, remittances and internal sources of finance. IDA, jointly with the IMF, continued focusing attention to the area of debt sustainability to ensure that the countries do not revert back to high indebtedness, which would endanger their future recovery. In this regard, IDA has introduced several enhancements to the three main mechanisms i.e. the Debt Sustainability Framework (DSF) for Low-Income Countries (LICs); the IDA grant allocation system 23 and the IDA Non-Concessional Borrowing Policy (NCBP).

*Implementation and revision of the Debt Sustainability Framework*

38. **Since 2005 the Debt Sustainability Framework (DSF) has been a cornerstone for the analysis of debt sustainability in low-income countries and the provision of related policy advice.**24 As a result of extensive outreach efforts during IDA14 and IDA15, many official creditors now gear their lending practices to incorporate the risk assessments under the DSF. Some aspects of the DSF were reviewed in response to concerns that the DSF has unduly constrained the ability of LICs to finance their development goals and may be “pro-cyclical.” The review provided several recommendations to improve the flexibility to the framework including: (a) Debt of state-owned enterprises (SOEs) should be excluded when SOEs can borrow without a public guarantee and their operations pose only limited fiscal risks for the government; (b) Bank and IMF staff should undertake more in depth analysis to better assess the impact of public investment on growth as well as country specific analyses to ensure that DSAs do not lead to excessively conservative borrowing policies during recessions or growth slowdowns; and (c) The role of remittances, especially where they are large, should be recognized in the determination of debt-related risk ratings. Following the approval of these recommendations by the Board in August 2009, World Bank and IMF staff are updating the Guidance Note on the DSF.

*Adjustments to IDA’s Non-Concessional Borrowing Policy*

39. **The Non-Concessional Borrowing Policy (NCBP) focuses on the non-concessional borrowing of countries eligible for IDA grants and/or MDRI recipients in order to ensure the benefits from IDA’s support for restoring debt sustainability are maintained.** In FY10, 48 countries were subject to the NCBP. The first prong of the policy involves creditor outreach. For example, together with the IMF, IDA has continued to engage with the members of the OECD Working group on Export Credits and

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23 IDA’s grant allocation system is discussed in section 2.

24 In FY09, World Bank and IMF staff updated 29 DSAs (compared with 27 in FY08). Nine DSAs were updated during the first quarter of FY10.
Guarantees (ECG) as they implement the sustainable lending guidelines they adopted in January 2008 and also provided guidance on queries raised by Export Credit Agencies.

40. The second prong of the policy involves IDA responses to cases of non-concessional-borrowing, including reductions in volumes or hardening of IDA lending terms. While the NCBP set minimum concessionality requirements, the policy acknowledged that under certain circumstances non-concessional loans could appropriately be part of a financing mix that helped promote economic growth. Thus, waivers to the policy can be considered based on country-specific and loan-specific considerations. As of September 2009, two countries (Angola and Ghana) have been subjected to disincentives, while six countries have received waivers.25 However, there are some limitations in the ability of IDA to utilize the NCBP in particular when IDA financing is small relative to overall external financing sources and when information is inadequate.

41. In the context of the global financial crisis, some borrowing countries and donors have advocated more flexibility regarding World Bank and IMF’s concessionality requirements. In response to these concerns, in August 2009 the IMF Board approved new guidelines for debt limits in Fund-supported programs. The changes consist of a differentiated approach in setting debt limits based on a countries’ capacity for macroeconomic and financial management capacity and the extent of its debt vulnerabilities. Consistency between World Bank and IMF concessionality policies is essential to provide a clear framework for creditors and borrowers. While the new IMF guidelines are largely consistent with the general NCBP framework, some adjustments in implementation of the NCBP are necessary. These adjustments will be described in the annual update on the NCBP that will be sent to the Board for information before the end of 2009.

5.2 IDA’s Role in Supporting Regional Integration

42. The availability of dedicated matching IDA resources for regional projects is proving an effective instrument for encouraging the preparation of multi-country operations, especially in sub-Saharan Africa, and the pipeline of projects remains strong. Since the program’s commencement in 2003 close to SDR 2.0 billion (US$3.0 billion) has been committed.26 Commitments have increased from SDR 304 million (US$435 million) in IDA13 to over SDR 1.2 billion (US$1.8 billion) during IDA14. So far in IDA15 seven new regional projects and two additional financing operations have been approved for SDR 466 million (US$713 million). Demand for regional projects remains strong in the Africa region and is growing in other regions and expected to remain strong beyond the IDA15 period.

43. As intended by the Deputies, Africa continues to be largest recipient of the regional assistance, accounting for close to 94 percent of commitments made under the regional program since its inception. All the projects approved so far in IDA15 have been in the Africa region. Forty percent of the IDA commitments to date have gone to the power subsector, with transport, water resources management and ICT being the other dominant types of project. Projects financed by the IDA regional program have so far attracted US$1.65 billion co-financing and parallel financing from other multilateral institutions and bilateral donors.

25 Countries that received a waiver include Cameroon, Democratic Republic of Congo, Mali, Republic of Congo, Rwanda and Senegal.
26 IDA Regional Pilot Program was initiated with the Board paper, “Pilot Program for Regional Projects,” IDA/SecM2003-0532/1, October 24, 2003. Funding for the IDA’s regional project program was increased twice since its inception: first time, at the IDA14 MTR (from SDR 200 million to SDR 250 million per annum) and second time, at IDA15 replenishment, a further increase was agreed for SDR 150 million per year for the duration of IDA15 period, for a total of SDR 1.2 billion.
44. The existing selection criteria provide a useful framework for prioritizing proposals that emerge from country and sector teams and clients. Financing provided from the IDA regional program is required to be complemented by funding from each participating country’s national IDA allocation. While the split between the country allocation and topping-up fund has been working well, given that regional integration is particularly important for countries with small IDA allocations, starting from IDA15, their contributions to the regional projects have been capped at 20 percent of their annual IDA allocation. The rule has been invoked in only one operation so far; however, it is expected to facilitate the participation of countries with small IDA allocations in several regional projects planned later in IDA15.

45. Following-up on the recommendations of the IDA14 MTR, Management has implemented several important actions to strengthen the overall effectiveness of the Regional Program. While there has been progress, the quality of the regional portfolio remains uneven and important weaknesses remain. As of the end of September 2009, 8 of the 35 regional projects (23 percent) were classified as problem projects, of which 7 are in Africa. Among the key reasons for weak portfolio performance is the slower than expected rate of disbursement with regional projects having disbursed 12 percent of total commitments, compared with 21 percent for non-regional projects from the same sectors. This is largely due to implementation issues in the power sector (which constitutes 39 percent of the portfolio).

46. Despite the slow implementation of some projects, most of regional projects are likely to achieve their development objectives, although, some may require lengthening their implementation period. Among the underlying reasons for this positive outlook (which is based on an in-depth Africa portfolio review conducted in August 2009) are: strong strategic regional relevance and reasonably good “quality at entry.” In addition management has increased emphasis on strengthening quality control at the design stage as well as support during implementation and supervision. Going forward, considerable attention will be given to improving the quality of regional portfolio, especially in power sector projects, by focusing on readiness for implementation, quality of implementing institutions, design simplicity and management oversight.

47. Given the importance of regional institutions for the successful implementation of regional projects, IDA is proposing to expand, on a pilot basis, availability of grant facility to regional entities. While this is also currently feasible, the available vehicles are cumbersome and complicated, making project preparation, implementation and monitoring overly burdensome. The proposed grants provided directly to the regional organizations would be subject to the same supervision, reporting, fiduciary, and evaluation rules as other IDA grants and credits. This would be done for the purpose of preparing or implementing regional operations and building the entities’ capacity. The grant funds would come from the existing IDA15 envelope for regional operations and would not exceed 10 percent of the remaining funds in that envelope. The proposed eligibility criteria are provided for Deputies’ endorsement.

5.3 IDA’s Role in Mainstreaming Cross-Cutting Priorities

48. Given IDA’s strengths in directly supporting countries and its role as a platform for provision of aid by all donors – it is uniquely positioned to play a critical role in addressing cross-cutting priorities. Climate change presents an urgent challenge to the well-being of all countries and particularly to the poorest ones. IDA, with its primary focus on growth and poverty reduction, is the appropriate

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27 The eligibility criteria are: (i) involvement of three or more countries; (ii) generating cross-boundary benefits; and (iii) clear evidence of country or regional ownership and commitment.

28 One-third of the IDA financing for each eligible regional project is taken from the country’s IDA allocation and two-third from the regional envelope. For projects where only some components are eligible for regional financing, the rule is applied only to those components.

29 Countries may include Chad, Togo, Sierra Leone, Guyana, Grenada and Dominica.
platform to ensure that funding for climate action is aligned with development goals. Gender equality is an issue of development effectiveness - when women and men are relatively equal, economies tend to grow faster, the poor move more quickly out of poverty, and the well-being of men, women, and children is enhanced. Thus promoting inclusive development is well aligned with the Bank’s overarching goal of reducing poverty.

Addressing the Challenge of Climate Change

49. The impact of climate change is expected to become more severe for developing countries putting at risk their long-term development agenda, including achievement of the MDGs, sustainable poverty reduction and economic growth. Given the multi-sectoral nature of climate change, during the IDA15 replenishment discussions, IDA was recognized as an appropriate platform to mainstream the necessary actions into country level strategies, particularly in the area of adaptation. IDA’s support for climate change action is underpinned by the 2008 World Bank Group Strategic Framework for Climate Change. Over the past year IDA made important progress in several areas, including: (i) scaling-up climate change adaptation actions as well as financial support to climate change adaptation; (ii) mainstreaming adaptive actions in CASs, Bank lending and knowledge activities; (iii) piloting the climate change screening tool; (iv) increasing technology dissemination by tapping into carbon finance; and, (v) improving donor coordination and clarifying the role of IDA vis-à-vis GEF.

50. IDA’s core funding for climate-sensitive sectors has increased. Commitments to sectors that are vulnerable to climate change, such as agriculture, flood protection, water supply and health increased to US$3.3 billion during the first year of IDA15, up from US$2.9 billion a year in IDA14 (a 17 percent increase). In addition, IDA has played a pivotal role in energy efficiency, particularly in electricity distribution and transmission improvements. IDA core funding on energy efficiency and renewable energy has gone up nearly threefold compared to IDA14’s annual average. Going forward, mitigation opportunities in IDA countries will require increased attention to benefit from additional financing coming from emerging carbon funds. While carbon markets have the potential to catalyze the shift to low-carbon economies in fast growing low-income countries, progress in the first year of IDA15 has remained very limited, with FY09 carbon finance projects managed by IDA being slightly less compared to previous years.

51. IDA has operated under a fast evolving climate change financing landscape, where it has continued to serve a development platform for new financing. This has included working with other donors in designing and implementing new (and additional) financing mechanisms for climate actions –in particular the creation of the Climate Investment Funds (CIF). Approved in July 1, 2008, the CIFs have been designed to bridge the financing and learning gap till a post-2012 global climate change agreement. Donor countries have made pledges of about US$6.3 billion to the funds over a three-year period. Nine IDA countries--Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia--and two regions (Caribbean and South Pacific) have been selected to participate in the Pilot Program for Climate Resilience (PPCR), a program designed to assist highly vulnerable developing countries to explore practical ways to increase climate resilience, with an initial budget of US$240 million. Similarly, the Program for Scaling-Up Renewable Energy in Low Income Countries (SREP) supports IDA countries in exploiting their renewable energy potential.

52. There has been a substantial increase in CASs’ attention to climate change risks during IDA15, but increased focus is perhaps needed on the range of adaptation responses identified in CASs.

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The consideration of climate change risks into CAS has improved between the two IDA periods. A review of IDA15 approved CAS shows that both climate risks identification and the quality of the underlying analysis have improved.

53. **The climate change screening tool, ADAPT, and the Climate Change Data Portal have been launched.** IDA15 has seen a major increase in analytic efforts to understand and tackle climate change risks in IDA countries. The WBG has also launched the Climate Change Data Portal, an open source knowledge platform that provides access to comprehensive global and country data information related to Climate Change and development. The Data Portal provides access to the WB Climate Change Screening Tool, ADAPT, which assists countries in the climate risk management and the identification of activities sensitive to the effects of climate change and to briefly advice on possible adaptation options. Going forward, the main challenge will be to build on the knowledge work that has taken place in the past months and systematically integrate adaptation intervention in country strategies and portfolios.

54. **IDA Deputies have requested to better clarify the role of IDA vis-à-vis GEF in climate change.** The GEF provides grant funding in the areas of climate change, biodiversity, international waters, land degradation, the ozone layer, and persistent organic pollutants, its funding is focused on "incremental" or additional costs associated with transforming a project with national benefits into one with global environmental benefits. Unlike IDA’s core development funding, GEF projects must therefore "make a difference" to the global environment. Furthermore, because IDA countries currently have relatively low levels of emissions that would generate global environmental benefits, they have played a relatively minor role in GEF’s global mitigation efforts. The division of labor between IDA and GEF on mitigation is clear: The GEF activities have traditionally included piloting and demonstrating innovative technologies; barrier removal to transform markets; and capacity building, in particular, the creation of an enabling environment, including establishment of codes, norms and standards. The GEF will remain in these traditional roles, while IDA will help move this to the next level, in terms of scale and investment programs on mitigation at the country level. On adaptation, the division of labor between IDA, and more generally the WBG, and the GEF will be clarified as the international community agrees on the modalities of funding. IDA will continue to leverage its strength as a development platform to promote climate-resilient development, mainstream and integrate climate actions into national development strategies, including in partnership with the GEF.

55. **Finally, monitoring financial flows towards climate change actions, particularly adaptation is difficult, when interventions have to be built into core development efforts.** This challenge is being addressed through the design of a monitoring strategy under the SFDCC and at the international level through the work on Rio Markers. The Results Framework for the World Bank Group’s Strategic Framework for Development and Climate Change (SFDCC) is being prepared. In addition, a joint OECD-DAC/World Bank work is underway to include adaptation in the Rio Markers, which will make it easier to monitor adaptation efforts globally.

**Gender Action Plan – Implementation Update**

56. **Following the introduction of the World Bank Gender Action Plan (GAP), the Bank improved its performance in mainstreaming gender issues in IDA country operations and analytical work.** In January 2007 the Bank launched the GAP - *Gender Equality as Smart Economics* - aimed at advancing women’s economic empowerment in client countries. The GAP targets so-called “GAP sectors” where the track record was poor.31 In addition to its operational (lending and non-lending) support, the GAP aims to improve knowledge and statistics on women’s economic participation and the relationship

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31 These sectors include: Agriculture and Rural Development, Economic Policy, Financial Management, Private Sector Development, Public Sector Governance and Infrastructure.
between gender equality, growth and poverty reduction. Despite only two years having elapsed since the start of implementation, there are already some positive developments. Between FY06 and FY08, the gender coverage in IDA project design increased from 33 to 41 percent in GAP sectors,\(^{32}\) while gender coverage in other sectors increased from 69 to 77 percent. Even though the rate of improvement in that gender coverage was faster in GAP sectors 25 percent compared to 12 percent in non-GAP sectors, there is still ample room for improvement.

57. **Over 63 percent of GAP initiatives are carried out in IDA countries and 68 percent of GAP funds are spent on IDA country operations or analysis.** By July 2009, IDA country interventions were awarded US$15.9 million through the GAP’s competitive calls for proposals, compared to US$7.5 million for IBRD. The Africa Region received more funding (54 percent) and hosted more GAP initiatives (37 percent) than any other region. Most GAP interventions in IDA countries are for work on private sector development (25 percent) and on labor markets (22 percent).

58. **Integration of gender issues in IDA CASs remained high in FY08, continuing to outperform ESW.** From FY04 to FY08, 77 percent of all IDA CASs had an adequate or better than adequate attention to gender issues, compared to 62 percent of Poverty Assessments (PAs) and only 41 percent of other ESW. In FY08, 82 percent of IDA CASs analyzed gender issues and proposed actions in one or more sectors, compared to 80 percent of CASs in FY07, and 60 percent in FY06. There was also a noticeable increase in the gender coverage in IDA country PAs. In FY08, all five IDA country PAs addressed gender concerns and received a rating of ‘satisfactory’ or ‘highly satisfactory’ as compared with FY07, when only around half of IDA (6 of 11) PAs received this rating.

59. **There was progress in strengthening collection of sex-disaggregated and gender-relevant statistics.** The GAP has helped develop a new platform for gender data analysis; provided technical assistance for national surveys, such as the Living Standards Measurement Survey (LSMS) for development of gender indicators and cross-country comparable methodologies; and, capacity building for data collection and impact evaluation. Several important initiatives to strengthen the Bank’s existing monitoring system have been launched or are under development.

60. **There is still significant room for strengthening gender mainstreaming at entry and during supervision of Bank operations.** A Quality Assurance Group (QAG) review of a sample of IDA projects identified a downward trend for quality at entry and a slight improvement for supervision between FY02 and FY07. However, while improving, the level of gender coverage in supervision (37 percent) is still low. These findings suggest that special efforts are needed to improve the attention to gender at entry and during supervision.

61. **There has been progress in implementing the six Bank gender commitments (made by Senior Management in April, 2008).** The most progress has been achieved in meeting some of the specific ARD targets. The target on mainstreaming gender in at least 50 percent of rural projects in the Africa Region by 2010, has been exceeded with 59 percent of the projects having met the target by mid-2009. The target for land policy and administration projects use of gender analysis in design has also been achieved. The other commitments are all on track.

62. **Looking ahead, with the GAP set to close in December, 2010, Bank Management is preparing a GAP transition plan.** In order to safeguard gains in gender mainstreaming after the close of the GAP in December 2010, when GAP Trust Fund resources will no longer be available, the Bank is

\(^{32}\) Specifically, 55 percent in agriculture and rural development projects; 20 percent in infrastructure and human development projects; and 36 percent in private sector development projects.
working on a GAP Transition Plan to be presented to the Board of Executive Directors during the second quarter of 2010. The Transition Plan will draw on reviews of the Bank’s recent experience in implementing the GAP, the overall Bank Gender strategy and the findings from an IEG evaluation of the Bank’s Gender Strategy to be presented to the Bank Board in the first half of FY10. A crucial component of the Transition Plan will be a paper which will undertake a comprehensive review of the implementation experience with existing IDA activities particularly those undertaken during IDA15. Based on this review, the paper would develop a set of recommendations on how to sustainably integrate the lessons of the GAP in strengthening gender mainstreaming for the remainder of the IDA15 and for the IDA16 implementation period and the medium-term. Recommendations are likely to include: stepping up investments for women’s economic empowerment; gender mainstreaming in the economic sectors as well as in human development sectors (health and education); strengthening the Bank’s monitoring and evaluation system; disseminating analysis, lessons and best practices from the GAP; and strengthening management accountability.

6. Improving Country Level Effectiveness

63. This section provides an update on progress made in increasing effectiveness at the country level. Several important reforms were implemented during IDA15 to advance the aid effectiveness agenda and to improve IDA’s operational efficiency as well as the results orientation of its programs and operations.

6.1 Aid Effectiveness Agenda

64. During IDA15 the Bank continued to play a leadership role in implementing the aid effectiveness (AE) agenda with some important developments taking place to strengthen and broaden the scope of collaboration between IDA, its client countries and other development partners. Overall, the Bank made good progress in meeting its commitments in four main areas: (i) strengthening country ownership; (ii) building more effective and inclusive partnerships; (iii) delivering and accounting for development results; and (iv) shaping the aid effectiveness agenda and supporting its implementation.

65. Reflecting the spirit of the Accra agenda, the Bank is focusing its AE work on the country and its capacity to lead and manage the development process with satisfactory progress during the first year of IDA15. It gives priority to strengthening country ownership and to supporting governments in developing their capacity to identify strategic priorities, set out and measure results, and lead donors; and it is working to increase its reliance on country financial management, procurement, and safeguard systems to implement development programs and manage aid. The Bank is updating its good practice note on collaborative country work and emphasizing engaging in high-value-added activities. The Bank will also help to implement projects through a greater use of government structures – thus increasing ownership and sustainability. The Bank continues to prepare its development policy operations (DPOs) in line with its good practice principles for the application of conditionality and disbursement conditions for Bank DPOs are limited in number,33 based on national development strategies (often PRSPs), and results-based. In the area of Poverty and Social Impact Analysis (PSIA), the Bank has updated the good practice note in August 2008 and there has been a significant activity building country capacity to carry out and disseminate PSIA. Finally, the Bank has also prepared an Aid Effectiveness Action Plan (AEAP), which includes additional actions through which the Bank is supporting country ownership.

33 There has been a reduction in the average number of prior actions per operation: for both IDA and IBRD operations, the average number of prior actions has declined from above 30 in the mid-1990s to about 9 in IDA operations and 11 in IBRD operations in FY09. See World Bank, 2009b, “Development Policy Lending Retrospective—Flexibility, Customization, and Results” (forthcoming).
66. While there has been some progress in strengthening country systems, going forward the Bank will intensify its support by deepening the already substantial achievements related to financial management; encouraging the greater use of national procedures under national competitive bidding, when feasible (especially in IDA countries); building on the international competitive bidding pilots for procurement; and developing a strategy – including assessments and implementation support – especially for IDA countries not presently included in the international competitive bidding pilot.

67. Work on Building More Effective and Inclusive Partnerships is well underway with significant achievements to date. The Bank is deepening its partnerships with nontraditional partners through a range of activities at the country and global levels including: developing the capacity of nontraditional partners in their role as donors, including through knowledge sharing and supporting and facilitating learning from South-South partnerships; working with global programs to improve country alignment; and working with recipient countries to support engagement with nontraditional partners.

68. To improve partnerships in joint financing at the country level, the Bank will continue to contribute to the Legal Harmonization Initiative to propose common donor guidance on the use of Memoranda of Understanding. This will complement the investment lending reform effort, which will examine options for a new programmatic or results-based financing instrument which may facilitate joint financing. And finally, as the AEAP notes, the Bank is actively investing in partnerships and harmonization in the context of fragile and conflict-affected states, using CASs to emphasize selectivity and country-level division of labor. It will also engage new and emerging bilateral donors in dialogue on such key development issues as assistance to post-conflict and fragile states, building on cooperation with the United Nations.

69. The Bank has met its commitments in the area of Delivering and Accounting for Development Results. A review of Bank’s record with respect to aid predictability (disbursements) raised some definitional challenges, i.e. whether this should be from a donor, recipient or a “mixed” perspective. The findings were that the optimal measure for aid effectiveness is the country/recipient’s view though the current Paris Declaration monitoring indicator uses a mixed perspective. The review found that the Bank’s performance on aid predictability is at 64 percent, close to the Paris Declaration target for 2010 of 71 percent using a measure from the country perspective. While this is an encouraging result, the Bank will continue: focusing on improving and better communicating disbursement data to governments; working with international initiatives that focus on reliable and transparent aid data; and supporting countries in improving their budgeting systems and medium term fiscal frameworks.

70. Progress in the area of shaping the AE agenda and supporting its implementation has been good. The Bank developed an Action Plan which was presented at the High Level Forum (HLF) in Accra; this subsequently led to the Bank’s AEAP. There has been considerable progress on meeting the IDA15 commitment on enhancing internal Staff Incentives and Guidance. While staff has a good understanding of the AE agenda, conflicting signals from management and the Board, especially related to risk tolerance, remain an issue and work is ongoing to address this problem.

71. In the area of decentralization the Bank has met its commitments. Internationally recruited staff based in the field for the Africa region has increased by over 50 percent between FY06 and FY08 and reached to 57 percent at the end of FY09. For other Regions, the Bank has continued to pursue decentralization, especially in IDA countries and fragile states. The Bank is exploring further options for a New Decentralization Model. To address the challenges of costs, numbers of technical staff, recruitment, and knowledge sharing across countries, the Bank is examining a model that would (i) increase staff and devolution of tasks to Fragile and Conflict-Affected States and low income countries; and (ii) develop hubs, or operational centers to serve middle income countries.
6.2 Increasing IDA Operational Efficiency

IDA continued its pursuit of improved effectiveness through increasing its flexibility to respond faster to clients’ needs as well as strengthen monitoring and reporting systems. Among the main initiatives were: (i) improving IDA’s products and service delivery to clients by operationalizing the additional financing and rapid response reforms; and commencing the Investment Lending reform; and (ii) implementation of the recommendations of the IDA Controls Assessment.

Operational Policy Reforms

Two important reforms introduced in the Bank’s operational policies – i.e. the 2005 Additional Financing and the 2007 Rapid Response reforms – started to produce positive results in terms of improved IDA responsiveness and impact of its development assistance. A progress report prepared in 2009 confirmed that additional financing (AF) is working well - it has been widely used across Regions and sectors, has generated considerable savings in time and cost (by three-quarters), has been of generally high quality with a satisfactory implementation record, and has been appreciated by clients. Bank-wide uptake has been significant especially in IDA countries, which accounted for two-thirds of all AF in FY07 and FY08 - one out of three IDA investment lending (IL) operations are AFs providing between 12 to 15 percent of loan commitments during those two years.

A progress report prepared in 2009 on the implementation of the Rapid Response policy indicated that the new policy resulted in faster processing of emergency lending in a situation of a crisis, disaster, and conflict. The policy's flexibility on choice of operational instruments (new emergency loan/grant, project restructuring and/or additional financing) was particularly important for enabling a quick and comprehensive response. The value of emergency lending during FY08 and the first half of FY09 was US$989 million and US$554 million, respectively, of which more than 76 percent was financed by IDA. While the policy resulted in substantial shortening of Bank project processing, challenges remain in ensuring faster effectiveness and implementation.

The Rapid Response policy proved to be critical for fast-tracking the Bank’s response to the food crisis under the Global Food Crisis Response Program (GFRP). Of the US$2 billion facility, more than USD 400 million was processed through rapid response procedures under the new policy (as of mid Feb 2009). Commitments for food crisis rapid response operations accounted for 25 percent of total emergency lending over the review period.

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34 The Additional Financing (OP 13.20) reform was meant to scale up the impact and effectiveness of the Bank’s development assistance; reduce transaction costs to borrowers and the Bank; and realign the Bank’s policies with borrower needs, the results agenda, and the evolving design of investment lending. The Rapid Response policy (OP 8.00) was to provide greater speed and flexibility in delivering Bank assistance in integrated recovery programs in weak-capacity environments in closer partnerships with development partners.


36 AFOs are prepared only for operations that are being successfully implemented.


38 Trust funds and IBRD accounted for the remaining 18 and 6 percent, respectively.

39 The Bank's fast response to the global food crisis was also facilitated through the fast-tracking of supplemental development policy loans, of which five were approved during FY08 and FY09. See: World Bank. 2009d.
Finally, on October 22, 2009 the Board reviewed the one-year status report on Investment Lending (IL) Reform,\textsuperscript{40} which is expected to bring tangible benefits not only in terms of faster financing, but also as a vehicle for more innovative and customized assistance. IL reform will bring changes in the three main areas and Management is committed to ensure that adequate resources, skills, and system will be provided to support the implementation of the IL reforms:

i) **Adopting a risk-based approach** for processing IL. The proposed risk based approach will: help teams design operations that take into account the operating environment; link risks to desired results and development objectives; differentiate projects on the basis of risks and allow a closer link to resources; create a better environment for learning about risks; and allow the Bank to examine the risk attributes of the portfolio. It is expected that the implementation of this new approach would gradually be rolled out to all Regions by the end of FY10.

ii) **Rebalancing the effort from preparation to implementation**, will be brought about through a variety of means including: a culture change from supervision to implementation support; measures to support implementation planning and team integration; reforms to make support for implementation more flexible and efficient; and changes in the staffing and enabling environment to provide staff with the tools they need and to ensure an appropriate geographic distribution of staff to achieve these objectives.

iii) Amending **restructuring policy** to facilitate the appropriate use of project restructuring as a tool for improving implementation performance. As an additional step to encourage the appropriate use of restructuring in IDA countries, funds cancelled from ongoing IDA operations will be made available for recommitment to other purposes in the same country, either to supplement ongoing successful operations or to support new activities that are consistent with the CAS.\textsuperscript{41}

**Progress in Implementing the Recommendations of the IDA Controls Assessment**

As part of the IDA14 deliverables, an independent assessment of IDA’s internal control framework was carried out—the first of its kind for an International Financial Institution. This comprehensive assessment included a review of internal controls over IDA operations and compliance with its charter and policies. As agreed the study has been validated by the Bank’s Internal Audit Department (IAD) and Independent Evaluation Group (IEG) and made publicly available.\textsuperscript{42} The assessment yielded important findings on how IDA controls can be strengthened and in developing new assessment tools that could be applied to institutions similar to IDA. IEG concluded that “with some important qualifications, IDA’s internal controls framework operates to a high standard overall, giving reasonable assurance that the controls operate effectively.” Furthermore, IEG stated that the evidence...


\textsuperscript{41} The current practice is that any funds that are cancelled from an IDA financed project return to the IDA pool.

\textsuperscript{42} See IEG. 2009f. “IEG Review of IDA Internal Controls: An Evaluation of Management's Assessment and the IAD Review”, IDA/R2009-0032, Washington, DC, April 3. The report was released to the public on April 14, 2009. The assessment commenced with a self-assessment of the control framework by Bank management, which was then reviewed by the Bank’s Internal Auditing Department (IAD), and finally the Bank Group’s Independent Evaluation Group (IEG) conducted an independent evaluation of all the material. The review used the rigorous COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and methodology, which establishes “a common definition of internal controls, standards, and criteria against which companies and organizations can assess their control systems.
presented provide Senior Management and the Executive Directors with reasonable assurance regarding the achievement of the three key objectives of reliable financial reporting, compliance with policies and procedures, and the efficiency and effectiveness of operations.

78. **Bank management is implementing a sound plan of actions to address the deficiencies identified and both IAD and IEG have endorsed management’s actions as appropriate.** To address deficiencies and weaknesses identified in the report, Management has prepared a 5 point action plan, which: (i) addresses IL policies, processes and controls; (ii) enhances the Bank’s risk management tools; (iii) integrates enhanced management of F&C risk through implementation of the GAC strategy; (iv) tightens financial management and procurement controls; and (v) strengthens role of IT in risk management and improved processes and controls for AAA. Further, to ensure effective monitoring of and transparency and accountability for implementation of these actions, an Implementation Oversight Panel (IOP) has been established. The IOP has an external co-chair and will monitor, oversee and report periodically to the President and the Audit Committee on the implementation progress. A final report on the implementation of the 5 point action plan will be provided by September 2010.

6.3 **Strengthening the IDA Results Measurement System**

79. **IDA continued its efforts to strengthen its Result Measurement System and good progress can be reported in sharpening the focus on results at the country and program level.**

IDA is the first IFI to introduce a two-tier Results Measurement System (RMS) that systematically tracks both key outcome indicators in IDA countries and its own progress towards better capturing results. Since mainstreaming RB CASs in 2005, the CAS results framework became one of the main tools against which country teams measure progress. According to the 2009 CAS Retrospective Review, the FY07 and FY08 CASs had: stronger results matrices than those delivered in FY06; become more flexible and indicative; the focus on results during the corporate review process has also been strengthened; and the CAS Completion Report (CASCR), are increasingly used as a tool for learning and accountability.

80. **Country-level outcomes and the outputs of IDA projects continued to be monitored through the RMS, however several challenges will remain for the long-term development agenda.** First, measuring progress of the key development outcomes contained in Tier 1 remains challenging due to the timely and continuous availability of data. The Tier 1 indicator measuring the quality of the public financial management in IDA countries is proposed to be changed from “Public Financial Management (Number of HIPC Benchmarks Met)” to “Quality of Budgetary and Financial Management (CPIA)” so that more recent and relevant data can be presented as part of the IDA RMS.

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43 For details regarding changes in specific indicators, please refer to Annex 4 as well as the paper prepared for IDA15 MTR discussion (IDA, 2009e).
44 From January 2005 until end-FY09, a total of 56 IDA RBCASs have been prepared, for 51 IDA-eligible countries. Only five countries have prepared “second-generation” RBCASs, including Armenia, Mozambique, Sri Lanka, Yemen, and Zambia.
46 CASCR were introduced in 2002 in order to capture lessons from the previous programs for the formulation of new CASs. They contain country team’s self-evaluation and ratings of the previous CAS. CASCRs are also independently validated and rated by IEG.
47 Tier 1 monitors aggregate progress on 14 country outcome indicators, which are not directly attributable to IDA, grouped into four categories: growth and poverty reduction; public financial management (PFM) and investment climate; infrastructure; and human development.
81. **One of the most important achievements during the first year of implementation of IDA15 was the development and adoption of standardized, well-defined and easily measurable Tier 2 Core Sector Indicators.** Starting in FY10, core indicators are being used in IDA-supported investment operations in four sectors: education, health, road transport and water supply (see Annex 3 for a list). Thus far, of the 261 operations in the IDA14-15 active portfolio, task teams have found that the core indicators in these four key sectors apply to 184 operations. Further, reviews indicated that: (a) for the 343 IDA investment lending projects approved in FY08 and FY09, the specification of Project Development Objectives was improving; and (b) first Implementation Status and Results (ISR) Reports were increasingly being populated with appropriate baseline indicators. Finally, 82 percent of IDA projects that closed in FY08 were rated with a “satisfactory” outcome rating or better by the IEG, which would indicate that the decline in performance in FY07 was modest and it has rebounded in 2008. Projects in transport and water continued to produce very good outcomes in 2008, while those in health, nutrition and population and education had the least favorable ratings with only about half of projects assessed as “satisfactory”.

82. **To determine future directions to strengthen the results orientation of analytic and advisory activities (AAA), several AAA reviews by QAG and IEG were undertaken during IDA15.** The findings show that while AAA is of high quality and is well-appreciated by clients for its contribution, its impact could be improved. In connection with the Knowledge Agenda, Management is focusing on: (i) improving the degree of “coherence and integration”, i.e., ensuring that individual tasks add up to a coherent overall country AAA program that respond effectively to the country’s development strategy; (ii) strengthening management oversight particularly in providing strategic direction necessary for program coherence; (iii) simplifying internal systems and processes; and (iv) improving the current results tracking and M&E framework to capture results from programmatic (i.e. multi-year or multi-task) AAA activities.

83. **While some progress has been made in strengthening the focus on statistical capacity, more remains to be done.** During IDA15, the focus has been on helping countries move from the preparation of their National Strategies for the Development of Statistics, to their implementation. To this end several activities took place including: (i) provision of assistance through the STATCAP program or as part of larger operations; (ii) establishment of a new Trust Fund with over US$100 million funding from the Netherlands and the UK, to support (on a grant basis) a partnership initiative called the Statistics for Results Facility focused on implementation of NSDSs, using the system-wide approach, including the identification of in-country “lead donors”; and (iii) launching of a new “Bulletin Board” system in September 2009, to monitor statistical capacity in IDA countries.

84. **Going forward, efforts will continue to reinforce and mainstream the results-focus in to the way IDA does business at the country, program and project levels.** Country teams will be encouraged to use CAS Progress Report as an instrument allowing for greater flexibility and midpoint updating and modification. Similarly, the Bank and IFC will enhance collaboration drawing on the lessons from the joint CAS pilot in 6 IDA countries. Recommendations arising from the AAA review and detailed implementation arrangements will be finalized during FY10 in the context of recommendations from the ongoing Knowledge Agenda initiative. Finally, in the area of statistical capacity building, IDA will continue to support the implementation of NSDSs in IDA countries.

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48 In Tier 1, IDA continues to monitor aggregate progress on fourteen selected country outcome indicators introduced in IDA14. Work is ongoing to review two indicators on Public Financial Management (PFM) and Private Sector Development (PSD).

7. **IDA’s Effectiveness in Fragile States**

85. **During the IDA15 replenishment discussions, IDA’s role in fragile states was one of the three special themes.** Management implemented actions on the operational as well as the financial side of the business in fragile states. From an operational perspective, Management continued to strengthen IDA’s support to fragile states, with key objectives of supporting state building and peace building activities. From the financial perspective, IDA implemented two particular measures aimed at strengthening IDA’s support to fragile states. Specifically, (i) extension of the exceptional allocations for the post conflict and re-engaging countries; and (ii) linking the share of post-conflict allocations in overall allocations to changes in the overall replenishment size. This section highlights progress made in the four key operational areas followed by reporting on experience with the implementation of lengthened phase out of exceptional allocations to post conflict and re-engaging countries as well as experience with Post Conflict Performance Indicators.

7.1 **IDA Operational Response in Supporting Fragile and Conflict-Affected States**

86. **During IDA15, several actions were undertaken to improve IDA’s ability in supporting fragile states.** These included actions related to: improving assistance strategies for fragile and conflict-affected countries (FCCs); addressing human resource constraints; development of better indicators on state- and peace-building activities in FCCs; and strengthened partnerships with the United Nations and other development actors.

87. **Improving Assistance Strategies for FCCs.** With respect to adaptation of IDA’s assistance strategies to fragile and conflict-affected environments, a recent review found that most provided details on political and security issues, in addition to the expected coverage of governance, economic and social recovery/development. These strategies were also more selective than the broader sample of countries and positioned the use of grants from Bank managed Trust Funds. Increasingly, strategies also include an explicit focus on restoring and maintaining the Bank’s operational readiness for full reengagement.

88. **Human Resource Reforms.** The Bank has increased the numbers of staff working in FCC country offices, and it continues to work on incentives to encourage staff to accept such positions. The Africa Region, in particular, has strengthened its work in this area by creating a specialized unit, placing conflict specialists in the field, and strengthening its partnerships with the African Development Bank (AfDB) and others for better collaboration. Decentralization is still work in progress, and the remaining challenge is to adapt and streamline implementation processes and procedures further so that the Bank can provide an even faster and more flexible response to the needs of countries that are emerging from conflict or are at risk of falling into conflict. The Bank has fielded Corporate Rapid Response Committees to help address crisis situations, and has created a callable roster of internal and external experts who are available to fill urgent staffing and expertise gaps.

89. **Partnerships.** The Bank works closely with the United Nations and a number of multilateral and bilateral agencies in many aspects of its fragility and conflict work. The Bank and the UN have recently signed important accords to deepen cooperation: (a) a Partnership Framework for Crisis and Post-Crisis Situations, including an Operational Annex of principles regarding the delineation of responsibilities, and (b) a Fiduciary Principles Accord allowing signatories, when executing donor-supported trust funds for crisis situations, to apply their own fiduciary policies rather than those of the trust fund administrator. In October 2007, the heads of MDBs and the IMF issued a statement agreeing on a common operational and strategic approach to addressing issues of fragility and conflict (F&C). The Bank has joined with the

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European Commission (EC) and the AfDB, with the IMF as “interested peer reviewer,” in drafting a common approach to the coordination of budget support in FCCs. The centerpiece of the Bank’s cooperation on F&C with the EC is the Joint Declaration on Post-Crisis Assessments and Recovery Planning, in which the EC, the UN, and the Bank committed to mobilize their resources to harmonize and coordinate post-crisis response frameworks to enhance country resilience to crises.

90. **Peace Building and State Building Indicators.** The Bank is working closely with the OECD/DAC on issues of peace-building, state-building, security, and financing and on monitoring the use of the “Principles for Good International Engagement in Fragile States and Situations.” With regard to the indicators, there is ongoing work under the auspices of the OECD-DAC to provide greater clarity on the conceptual basis and modalities for supporting state-building, as well as a more robust basis for further developing indicators of peace-building and state-building. The work on the indicators is expected to be completed in December 2010.

91. While there has been substantial progress so far, significant challenges remain in implementation and the Bank will particularly focus on emerging issues including: (a) providing guidance and ensuring clarity on results and risks in the Bank’s work on FCCs; (b) enhancing and strengthening support to country teams; (c) emphasize implementation support through increased resources for supervision and flexibility in restructuring projects; (d) gaining traction on partnership agreements especially with the UN; (e) strengthening the performance of trust funds and ensuring that lessons from managing MDTFs are embedded in the design and establishment of new ones; (f) tailoring interventions to specific country contexts and encompassing political and security dimensions; and (g) further highlight issues of fragility and conflict and pointing to ways forward through the WDR and the partnership with the OECD/DAC International Network on Fragility and Conflict.

7.2 **Experience with Lengthening the Phase-out for Fragile States during IDA15**

92. At the outset of IDA15, duration of exceptional allocations to post-conflict and re-engaging states—a subset of countries defined more broadly as fragile states—was extended to improve IDA’s ability to respond to their needs. Until IDA15 the total length of exceptional support for post-conflict countries was seven years, with four years of full special allocation and three years of phasing down to the PBA level. For re-engaging countries, special allocations were provided for three years (with two years of full allocation and one year of phasing down to the PBA level). The implementation experience during IDA14, supported by the findings of the emerging research, demonstrated that the three year phase-out period resulted in a relatively sharp drop-off in IDA allocation, which could be disruptive for country programs. Consequently, the duration of exceptional allocations for the post-conflict states was extended for up to ten years by doubling the phase-out period from three to six years and the phasing-out for re-engaging countries was extended from one to three years.

93. The extension of the phase-out is significant not only because allocations have increased at the country level but also because without the extension, 9 out of 12 countries would no longer have continued to receive the exceptional allocations. Only three countries—Cote d’Ivoire, Liberia and Togo—would have continued to receive special allocation during IDA15. The rest of the countries would have graduated either at the end of IDA14 (Burundi, Congo Republic, and Eritrea) or at some point during IDA15 (Angola, Democratic Republic of Congo, and Haiti in FY09; and Afghanistan in FY10). With the lengthened phase out, nine post-conflict countries—Afghanistan, Angola, Burundi, Cote d'Ivoire, Democratic Republic of Congo, Republic of Congo, Eritrea, Liberia, and Timor-Leste—and all three re-engaging countries—Haiti, Central African Republic, and Togo—have continued to receive exceptional allocations in the first half of IDA15.
94. Post conflict countries are projected to receive 50 percent higher and re-engaging countries are estimated to receive more than double under the IDA15 arrangements than they would have received under the IDA14 phasing out arrangement. As agreed, the post-conflict and re-engagement allocations have been linked to the overall IDA15 replenishment size beginning with the FY09 allocations, which has resulted in about a 21 percent increase in the resource envelope and this has been accompanied by higher country allocations due to the lengthened phase-out period. Post-conflict and re-engaging countries are projected to receive around 8 percent of total IDA allocations during the IDA15 period. Post conflict countries are projected to receive about SDR 2 billion i.e., 50 percent higher than SDR 1.3 billion that this group of countries would have received during IDA15 had the IDA14 phasing out arrangement been kept in place. Similarly, re-engaging countries are estimated to receive SDR 160.9 million (or 102 percent higher) compared to the SDR 78.5 million they would have received under the IDA14 arrangement of a shorter phasing out.

95. Given the daunting development challenges fragile states are facing especially in the aftermath of the global economic crisis, there is a need to continue to support them. Fragile states are facing the brunt of the impact of the global financial crisis, which has increased their core development financing gap. A recent paper estimates that low income countries will face a core financing shortfall of US$11.6 billion, of which 58 percent relates to fragile states. Many fragile states are heavily dependent on commodity exports, remittances, ODA, and emergency and security assistance, all of which have come under intense pressure as a result of the recent food and energy crises of 2005-2008 as well as the current global economic crisis. Due to these concerns, management is making two proposals for consideration at the IDA15 Mid-Term Review, which are expected to benefit the FCSs particularly: (i) the creation of an IDA15 response window; and (ii) addressing the negative impact of the MDRI netting out process by eliminating it.

7.3 Experience with Post Conflict Performance Indicators

96. The exceptional allocations discussed in the previous section have required the use of Post-Conflict Performance Indicators since IDA13 but these have not been previously disclosed. The Post-Conflict Performance Indicators (PCPI) are a set of criteria tailored to the circumstances faced by countries emerging from conflict. The PCPI assess country performance during the transition period and provide the basis for the allocation of resources among post-conflict countries. During the IDA15 replenishment discussions it was agreed that, consistent with IDA’s efforts to enhance the transparency of country allocations, IDA would establish an external panel to review the PCPI as part of moving toward the disclosure of the PCPI scores during IDA15. The panel was assembled in December 2008 and the final report was completed in March 2009, with a set of practical and operationally relevant recommendations related to methodology, content; and review process (see Box 3).

97. The implementation of the panel’s recommendations requires several intermediate steps. These include the revisions of the criteria along the lines recommended by the panel to be carried out by the appropriate networks, internal and external consultations and the testing and refining of the instrument. Because significant changes in the PCPI are envisioned, it is important that the revised criteria be tested and fine tuned, as needed, before it is actually used for allocation purposes. The scores for 2009 which will be the basis for the FY11 exceptional allocations will still be determined using the current PCPI criteria. Nevertheless, a draft of the revised criteria is expected to be used in a pilot form in

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52 The original PCPI framework is presented in *Adapting IDA’s Performance-Based Allocations to Post-Conflict Countries* (IDA, 2001). This innovation in allocating post-conflict resources was piloted during the last half of the IDA12 period and adopted in IDA13.
parallel with the 2009 PCPI exercise. The findings drawn from this test would provide the basis to fine tune the criteria as needed. The 2010 PCPI exercise would then be carried out using the revised PCPI and will follow a process similar to that used in the CPIA, including country consultations. The final scores would be used to determine the FY12 exceptional IDA allocations and would be disclosed in June 2011, before the start of IDA16.

Box 3: Recommendations of the PCPI Review Panel

The PCPI Review panel provided the following recommendations on how to enhance the PCPI:

i) **Methodology:** While the panel concluded that the content of the PCPI criteria broadly covers the areas identified in the literature and by practitioners as the most relevant to conflict affected countries, the effectiveness of the PCPI can be improved by sharpening its focus on the issues that are the most relevant to these country settings. Accordingly, the panel recommended setting more transparent and consistent links between the PCPI and the CPIA in the areas covered by the two assessments, which could be achieved by explicitly linking the PCPI content for the higher end of the scoring scale with the content of the CPIA criteria at the appropriate level of its scoring scale.

ii) **Content:** The panel recommended a revision of the PCPI’s 12 criteria to eliminate overlaps and duplications between some of the criteria. At the same time the criteria needs to be differentiated to assess performance in post-conflict countries from those re-engaging and poorly performing countries. The revised PCPI should contain a set of three common clusters covering Economic Policy, Structural Policies and Governance, and an additional cluster focused on Post-Conflict risk. The first three would apply to all countries without the CPIA. For post-conflict countries the assessment would include the post-conflict risk and this would be tailored to post-conflict settings, including security, disarmament and demobilization, and reconciliation. The panel also suggested the preparation of country studies on the transition from conflict, which is expected to be aided by the 2011 World Development Report that is currently under preparation.\(^{1}\)

iii) **Process:** The panel recommended strengthening the PCPI review process through systematic involvement of the Regional chief economists and networks in the review of the proposals prepared by country teams. To further strengthen the robustness of the scores the panel recommended that country authorities be consulted, possibly following a model similar to that used in the CPIA exercise. The panel also suggested that the assessment of the fourth cluster (Post-conflict risk) may require consulting experts outside the Bank.

iv) Finally, the panel suggested that the PCPI should be disclosed but only for post-conflict and re-engaging countries, whose PCPI scores have implications for their IDA allocations. Because the coverage extends beyond post-conflict countries, the panel proposed that the PCPI should be labeled the IDA Special Allocation Index (ISAI).

\(^{1}\)The 2011 WDR focuses on fragility and conflict and is expected to review the causes of conflict and fragility and the policy prescriptions which have emerged over the past decade. It will also examine the record of attempts to avoid or overcome conflict and fragility in selected countries and regions, and will draw lessons for the further development of policies and for their implementation.

III. MANAGING IDA’S FINANCIAL RESOURCES

98. **Despite the fiscal difficulties resulting from the financial crisis, donors have continued to deliver on their pledges to IDA.** For IDA15, 42 out of the 45 donors have formalized their pledge through an Instrument of Commitment, covering over ninety-nine percent of the financing requirements for the first year of IDA15. In total for IDA15, donors have pledged to provide SDR 16.5 billion, net of the structural financing gap.\(^{54}\)

\(^{54}\) While a paper analyzing the structural financing gap in IDA replenishment has been prepared for IDA15 MTR (see: IDA. 2009n. “Analysis of the Structural Financing Gap in IDA Replenishments”, Washington, DC, October), it is proposed that the issue of the financing gap and the options for addressing it be discussed in conjunction with the financing framework discussions around the second or third IDA16 replenishment meeting once impact of the overall size of the targeted funding volume and projected disbursement profile for IDA16 commitments has been evaluated.
99. For the MDRI, while donors made major efforts to submit firm financing to cover forgone reflows through the end of the IDA15 disbursement period (i.e. FY19), nonetheless a financing gap of about SDR 3.0 billion remains. This may impact the total amount available for IDA15 commitments at a time when these funds are most needed by low income countries. This Section discusses this issue further and provides several options to address it.

100. Starting on July 1, 2006 and over the next four decades of the MDRI implementation, IDA is canceling an estimated amount of SDR 24.4 billion (equivalent to US$37.2 billion) of credit reflows from eligible HIPC countries. Donors have agreed to provide full and timely compensation on a dollar-for-dollar basis to IDA for the forgone credit reflows, which can take a form of qualified or unqualified (i.e., firm, appropriated) commitments. However, under the MDRI replenishment, IDA needs to receive unqualified donor commitments in order to extend new credits and grants against the donor financing. Therefore, to preserve IDA’s advance commitment capacity – under which IDA uses its stream of available future credit reflows to back future disbursements on approved credits and grants – Deputies acknowledged the need to provide unqualified, firm MDRI financing commitments over a rolling decade, thereby matching the disbursement period of each future IDA replenishment. Additionally, during IDA14, IDA’s Executive Directors approved making available an additional amount of up to SDR 1.9 billion (equivalent to US$2.9 billion) from internal resources to compensate for any donor commitment shortfalls.

101. IDA is at risk of having to reduce its commitment authority for IDA15 given the current level of financing commitments of the projected MDRI costs. As of end FY09, donors have provided unqualified financing commitments representing only 54 percent of the projected MDRI costs of IDA over the IDA15 disbursement horizon (FY09-19). This represents a firm financing gap of US$4.6 billion for the IDA15 disbursement period. Another 35 percent of forgone credit reflows over that horizon are covered by qualified financing commitments, bringing total donor financing commitments to 89 percent of MDRI costs over the disbursement horizon of IDA15. With several donors unable to provide the necessary firm “unqualified” financing towards replacing lost credit reflows, IDA is at risk of having to reduce its commitment authority for IDA15.

102. To address the issue of the MDRI financing gap for the IDA15 disbursement period and beyond, Management is proposing several options. These options present a difficult choice since each one resolves the issue at hand while raising additional challenges. Potential options to deal with the total MDRI financing shortfall for the IDA15 disbursement period of currently US$4.6 billion include the following:

   i) Lowering IDA15 commitment authority during the final year (FY11) by the expected shortfall in firm MDRI financing.
   
   ii) Asking IDA’s Executive Directors to approve the use of additional internal resources for IDA15 to cover this shortfall by shifting resources from IDA16 (the solution adopted at the end of the IDA14 period when there was a financing gap).
   
   iii) Similar to the African Development Fund, allowing 85 percent of the amount of qualified commitments for the MDRI to be counted towards IDA’s commitment authority through amendment of the resolution of the Board of Governors for the MDRI replenishment. Approval could be sought after the IDA15 MTR or in conjunction with Governors approval of the future IDA16 Resolution (in the Spring 2011).
   
   iv) A combination of the solutions above.

103. IDA Management is seeking guidance from IDA Deputies on which option to pursue and specifically whether Deputies would consider proposing an amendment to the MDRI Resolution.
Management believes that amending the MDRI Resolution as described above so as to harmonize with the African Development Fund, complemented with a request to IDA’s Executive Directors to use internal resources to cover any remaining MDRI financing gap may be the optimal option for consideration by IDA Deputies.

IV. CONCLUSIONS

104. The first eighteen months of the IDA15 implementation period have been challenging as the unfolding financial crisis affected IDA countries. The succession of a series of global crises has resulted in an unprecedented demand for IDA financial resources. As evidenced by its strong performance in terms of commitments and disbursements, IDA has been effectively responding to this demand by scaling-up financing mainly through front-loading, but also improving its flexibility and responsiveness through streamlining the processes and fast-tracking its operations. However, despite these efforts, there remains a significant financing gap to protect core spending in IDA countries in the medium-to long-term.

105. Good progress has also been achieved in implementing key elements of IDA15 policy framework supporting IDA countries in pursuing their long-term development agenda, particularly in promoting debt sustainability; mainstreaming climate change and gender; and supporting regional cooperation and integration. Finally, while some noteworthy developments have taken place in the areas of aid effectiveness, measuring results and strengthening IDA’s response to fragile states, these issues will all remain central to the long-term development effectiveness of IDA countries and to IDA’s ability to consistently demonstrate its own effectiveness in supporting this agenda.

106. In addition to reviewing the progress made in the policy framework, there are three key issues that need to be addressed during the IDA15 Mid-Term Review which IDA Deputies are being asked to consider:

   i) Establishment of a crisis response window (CRW) within the IDA financial architecture. This window would be operational during the IDA15 period and would assist IDA countries to protect core spending on health, education, safety nets, infrastructure and agriculture; and

   ii) Eliminating the MDRI netting out mechanism which is reducing and will further lead to reductions in IDA allocations for many countries in Africa and Latin America and the Caribbean.

   iii) Covering the potential shortfall in MDRI financing by amending the MDRI Resolution to harmonize with the African Development Fund and using some internal resources to cover any remaining MDRI financing gap.
Annex 1
IDA Financing

1. IDA15 replenishment provides SDR 27.8 billion of funding to projects over the FY09-11 period, the highest replenishment funding in the history of IDA.\(^{55}\)

2. Out of the total IDA15 commitment authority of SDR 27.8 billion, an amount of SDR 11.8 billion became available for IDA15 commitments during FY09 (see Annex 2). This amount includes SDR 5.3 billion of donor resources, SDR 1.1 billion of new firm financing commitments received from donors for the MDRI, SDR 4.1 billion of internal resources, SDR 1.1 billion in transfers from IBRD and IFC, and SDR 0.2 billion from carryover funds.

3. Of SDR 11.8 billion available in FY09, IDA committed a total of SDR 8.4 billion in credits, grants and guarantees.\(^{56}\) This resulted in the balance of available resources of SDR 3.4 billion to be carried over to FY10, to be applied to the funding of FY10 IDA operations, along with other resources that will be made available for IDA commitments during FY10.


\(^{56}\) Excluding IDA14 grace period operations of SDR 0.5 billion, and recommitments of SDR 0.1 billion for Ethiopia, Nepal, and Senegal; and including HIPC Debt Initiative grant of SDR 30 million to Cote d’Ivoire.
### Annex 2

**IDA15 Commitment Authority as of June 30, 2009 (SDR billion)**

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Revised Framework</th>
<th>Resources</th>
<th>Uses</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New Donor Contributions</td>
<td></td>
<td>14.3</td>
<td>5.3</td>
<td>8.8</td>
</tr>
<tr>
<td>2.  Regular and supplemental contributions</td>
<td></td>
<td>0.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Additional Financing ^a^</td>
<td></td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. HIPC Costs</td>
<td></td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Arrears Clearance</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>6. Total New Donor Contributions</td>
<td></td>
<td>16.5</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>7. Regions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Donor Compensation for MDRI Debt Forgiveness</td>
<td></td>
<td>4.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>9. Internal Resources of IDA</td>
<td></td>
<td>4.1</td>
<td>4.1</td>
<td>0.7</td>
</tr>
<tr>
<td>10. Total Reflows</td>
<td></td>
<td>8.3</td>
<td>5.3</td>
<td>3.4</td>
</tr>
<tr>
<td>11. Transfers ^b^</td>
<td></td>
<td>1.2</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>12. IBRD Net Income Transfer</td>
<td></td>
<td>1.2</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>13. IFC Grant</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Total Transfers</td>
<td></td>
<td>2.4</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>15. Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Carryover Funds from IDA14</td>
<td></td>
<td>0.6</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>17. Total IDA15 Commitment Authority</td>
<td></td>
<td>27.8</td>
<td>11.8</td>
<td>8.4 ^c^</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status of Commitment Authority as of June 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
</tr>
<tr>
<td>Available</td>
</tr>
</tbody>
</table>

**Note 1:** All resources amounts with the exception of Reflows are valued at May 22, 2008 exchange rates -- the date at which these contributions/transfer were locked into IDA's new foreign exchange hedging framework.

**Note 2:** Amounts may not add up due to rounding.

^a^ Represents the investment income generated by using an encashment profile of 9 years.

^b^ Represents the SDR equivalent of USD 1.75 billion each for IBRD and IFC plus additional investment income generated by acceleration of payment.

^c^ Commitments consist of SDR 6.68 billion of credits, SDR 1.66 billion of grants and SDR 0.07 of guarantees. For guarantees, only one-fourth of the approved amount is counted towards the use of commitment authority. FY09 commitments exclude SDR 0.50 billion for IDA14 grace period projects which were funded out of IDA14 commitment authority and recommitments of SDR 0.1 billion. They include a HIPC Debt Initiative grant of SDR 0.03 billion for Cote d’Ivoire.
Annex 3
World Bank Standardized Core Sector Indicators

Education Sector
- Primary completion rate (MDG1) (Tier 1)
- Gender parity index (GPI) (MDG2) (Tier 1)
- Decline in shortfall of qualified teachers at the primary level (%) (Tier 2)
- Decline in shortfall of classrooms at the primary level (%) (Tier 2)
- Learning assessment

Health Sector
- People with access to a basic package of health, nutrition, or population services (percent increase)
- Health personnel receiving training (number)
- Health facilities constructed, renovated, and/or equipped (number).
- Children immunized (number)
- Pregnant women receiving antenatal care during a visit to a health provider (number)
- Children receiving a dose of vitamin A (number).
- People receiving an insecticide-treated malaria net (number)
- Adults and children with HIV receiving antiretroviral combination therapy (number)
- Pregnant women living with HIV who received antiretroviral to reduce the risk of MTCT (number)

Road Transport
- Roads constructed (KM) - Rural and Non-rural
- Roads rehabilitated (KM) - Rural and Non-rural
- Roads in good and fair condition as a share of total classified roads (percentage) - Size of the total classified network
- Share of rural population with access to an all-season road (proportion) - Number of people with access to an all-season road
- Average time from ship readiness to unload to final destination for an imported container, on the corridor(s) targeted by the project - Freight volume measured in TEU in targeted corridor

Water Supply
- People in project areas with access to “Improved Water Sources” (number)
- Improved community water points constructed or rehabilitated under the project (number)
- New piped household water connections that are resulting from the project intervention (number)
- Piped household water connections affected by rehabilitation works undertaken under the project (number)
- Number of water utilities the project is supporting
- Number of other water service providers the project is supporting
### Annex 4

#### Monitorable Actions for IDA15

<table>
<thead>
<tr>
<th>Objective</th>
<th>Recommandations/Actions</th>
<th>Product</th>
<th>Target Date</th>
<th>Actions Taken/Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STRENGTHENING TRANSPARENCY AND ACCOUNTABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA’s Internal Controls</td>
<td>• Provide an update on progress in implementing the recommendations of the IDA Controls Assessment.</td>
<td>• Background note</td>
<td>IDA15 Mid-Term Review</td>
<td>Management is implementing a 5 point action plan, which: (i) addresses IL policies, processes and controls; (ii) enhances the Bank’s risk management tools; (iii) integrates enhanced management of fraud and corruption risk through implementation of the GAC strategy; (iv) tightens financial management and procurement controls; and (v) strengthens role of IT in risk management and improved processes and controls for AAA. To ensure effective monitoring of, and transparency and accountability for implementation of these actions, an Implementation Oversight Panel (IOP) has been established. The IOP has an external co-chair and will monitor, oversee and report periodically to the President and the Audit Committee on the implementation progress. It is expected that a final report from Management, IAD and IEG on the implementation of the 5 point action plan will be provided by September 2010.</td>
</tr>
<tr>
<td>Disclosure of CPIA and CPR</td>
<td>• Continue to disclose the numerical CPIA and IDA Country Performance Ratings and their components on IDA’s external website.</td>
<td>• CPIA Exercise</td>
<td>Annual, ongoing</td>
<td>Continued in IDA15 in FY09 and FY10.</td>
</tr>
<tr>
<td></td>
<td>• Conduct a review of Post-Conflict Performance Indicators (PCPI) in preparation for public disclosure.</td>
<td>• PCPI exercise</td>
<td>IDA15 Mid-Term Review</td>
<td>The PCPI review by an external panel has been completed as agreed, and a separate status report is being presented at the IDA15 Mid-term Review for Deputies’ review (IDA, 2009j).</td>
</tr>
<tr>
<td>Harmonization of PBA Systems</td>
<td>• Encourage other partners to align their resources with performance, and work with Regional Multilateral Banks toward greater harmonization of PBA systems.</td>
<td>• Consultations with Regional Multilateral Banks</td>
<td>Ongoing</td>
<td>Consultations with Regional Multilateral Banks have continued through the annual PBA workshops, with the latest one organized by the Caribbean Development Bank in April 2009 in Barbados.</td>
</tr>
<tr>
<td><strong>ALLOCATING RESOURCES ACCORDING TO THE PBA SYSTEM</strong></td>
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</tr>
<tr>
<td>Allocating IDA Resources According to the PBA System and regional projects</td>
<td>• Allocate IDA resources in accordance with PBA system.</td>
<td>• Allocation Exercise</td>
<td>Annual</td>
<td>The new, simplified PBA formula has been used to determine country allocations for FY09 and FY10; base allocation has been increased to SDR1.5 million per annum; and the per capita cap has been increased to SDR19.8 beginning with the FY09 allocations.</td>
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<tr>
<td></td>
<td>• Simplify the PBA formula by adopting an additive functional form. In addition, lower unwarranted volatility in portfolio performance ratings.</td>
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<tr>
<td></td>
<td>• Increase base allocation from SDR1.1 million to SDR1.5 million per annum.</td>
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<tr>
<td></td>
<td>• Increase the cap on per capita allocations from SDR13.2 to SDR19.8.</td>
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</tr>
<tr>
<td>Objective</td>
<td>Recommandations/Actions</td>
<td>Product</td>
<td>Target Date</td>
<td>Actions Taken/Remarks</td>
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<tr>
<td>• Direct more than half of IDA’s assistance to Africa, if warranted by performance, and support efforts of these countries to use these resources effectively.</td>
<td>• IDA Commitments, Disbursements, and Funding Report</td>
<td>End-Fiscal Year</td>
<td>FY09 commitments to Sub-Saharan Africa amounted to approximately 56 percent.</td>
<td></td>
</tr>
<tr>
<td>• Place a 20 percent across-the-board ceiling on country contributions to regional projects.</td>
<td>• A Report</td>
<td>IDA15 Mid-Term Review</td>
<td>The rule has been invoked in only one operation so far. However, it is expected to facilitate the participation of countries with small IDA allocations in several regional projects planned for later in IDA15 Report prepared for MTR discussions (see IDA, 2009h).</td>
<td></td>
</tr>
<tr>
<td>• Make allocations and commitments available to IDA’s Board of Executive Directors for information at the end of each fiscal year.</td>
<td>• Information Note</td>
<td>End-Fiscal year</td>
<td>IDA management has started informing Executive Directors of annual country allocations and commitments at the end of each fiscal year during the IDA15 period. Accordingly, the country allocations for FY09 were disclosed to the Executive Directors in August 2009.</td>
<td></td>
</tr>
<tr>
<td>• Update study of links between aid allocation and results, including the experience with PBA and CPIA, as well as the balance between needs and performance.</td>
<td>• A Report</td>
<td>IDA15 Mid-Term Review</td>
<td>An updated study has been completed as agreed, and a separate report is being presented at the IDA15 MTR for Deputies’ review (see IDA, 2009m).</td>
<td></td>
</tr>
<tr>
<td>• Enhance cooperation among Regional Multilateral Banks (RMBs) to avoid overlap and to ensure that each institution’s programs are based on its comparative advantage.</td>
<td>• Multilateral Development Bank Working Groups</td>
<td>Ongoing</td>
<td>A paper entitled &quot;Coherence, Coordination and Cooperation among Multilateral Organizations - 2009 Progress Report&quot; was discussed by Executive Directors in May 2009. While collaboration among key RMBs (including AfDB, ADB, IADB, EBRD and the World Bank) has traditionally been strong, it received new impetus following the global response to the food, fuel and financial crises. Several high-level meetings took place, including the International Conference on Financing for Development to review the implementation of the Monterrey Consensus held in Doha in November and December 2008 as well as the most recent G20 Summit in Pittsburgh in September 2009 where the heads of states articulated joint positions on many major development challenges and issued a statement pledging to further increase the efficiency and effectiveness of MDB assistance. In recent years MDBs have deepened their cooperation in many areas through establishment of several working groups on a wide range of cross-cutting issues (including aid effectiveness, fragile states, safeguards, financial management, gender and managing for results). In many countries, there is a strong harmonization of operational policies including procurement, FM and auditing. Another important area of collaboration has been arrears clearance, where in FY08 a closely coordinated approach resulted in the clearance of</td>
<td></td>
</tr>
<tr>
<td>Objective</td>
<td>Recommendations/Actions</td>
<td>Product</td>
<td>Target Date</td>
<td>Actions Taken/Remarks</td>
</tr>
<tr>
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<td>arrears of Togo, Liberia, and Côte d’Ivoire. In the area of sustainable lending practices, there is an ongoing collaborative work on a harmonized approach for the application of the Debt Sustainability Framework and in dealing with non-concessional borrowing.</td>
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<td>IFC is also playing a leading role in supporting RMBs to develop their own private sector financial operations, via the crisis response initiatives and through enhanced cooperation in investment and advisory work.</td>
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<td>Special Theme 1: IDA’s Role in the International Aid Architecture</td>
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<td>A “Management Framework for World Bank-Administered Trust Funds (TFs),” endorsed by the Board on October 30, 2007, laid out Management’s commitment to mainstream TFs into the Bank’s operational and business processes. One of the pillars of this Framework aims at more strategic alignment of the Bank’s TF portfolio at the corporate, VPU, and country levels.</td>
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<td>Complementarity with Vertical Approaches</td>
<td>Integrate analysis of global programs and Trust Funds in the programming of Country Assistance Strategies and sector strategies.</td>
<td>Country Assistance Strategies and Sector Strategies</td>
<td>Ongoing</td>
<td>At the country level, when trust-funded contributions to the country program and their likely impact are significant, TFs will be systematically reflected in CAS products. A Guidance Note was issued on July 3, 2008 which sets out the specific areas where TF activities should be reflected and better integrated into CAS products. This integration is expected to facilitate a stronger alignment between trust-funded activities and the country’s development priorities and programs, and, hence, enhance the development impact of the activities.</td>
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<td>TF integration is being implemented in phases. Under the pilot phase, Bank teams preparing CASs or ISNs scheduled for approval in the last two quarters of FY09 were encouraged to refer to the Guidance Note. A review of the status and experience to date on TF integration into CASs is currently underway in order to (i) gauge their compliance with the Guidance Note, (ii) identify good practice and lessons learned, and (iii) propose recommendations for the mainstreaming process. Subsequently, the integration of TFs in CAS products is expected to be mainstreamed in FY10 for all countries with significant portfolios of TF activities.</td>
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<td>Appropriate Sectoral Funding</td>
<td>Monitor sectoral composition of IDA’s assistance, both on an aggregate and on a country-by-country basis.</td>
<td>IDA Commitments, Disbursements, and Funding Report Country Assistance Strategies</td>
<td>End-Fiscal Year Ongoing</td>
<td>FY09 commitments to infrastructures and social sectors were 35 and 26 percent respectively of total IDA commitments.</td>
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<td>Country allocations are determined based on PBA system and resource usages are monitored country-by-country basis.</td>
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<td>Addressing Climate Change</td>
<td>• Mainstream adaptive action in Country Assistance Strategies.</td>
<td>• Country Assistance Strategies</td>
<td>Ongoing</td>
<td>Ongoing. The IDA15 MTR Progress Report on IDA and Climate Change (see IDA, 2009k) shows that IDA has continued to make good progress in a number of areas including mainstreaming adaptive actions, scaling up funding for climate actions, tapping into carbon finance, and improving donor coordination in climate actions. Further details are provided in the report.</td>
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<td>• Improve climate adaptation and climate risk management by piloting Climate Change Screening Tools.</td>
<td>• Test in 15-18 countries at greatest risk</td>
<td>Over the IDA15 period</td>
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<td>• Scale up climate change adaptation actions as well as financial support to climate change adaptation.</td>
<td>• End-FY/A Report</td>
<td>Annual/ IDA15 Mid-Term Review</td>
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<td>• Increase technology dissemination by tapping into carbon finance.</td>
<td>• Energy projects using cleaner technology</td>
<td>Ongoing</td>
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<td>• Improve donor coordination on climate change actions, including better clarifying the role of IDA vis-à-vis GEF.</td>
<td>• A Report</td>
<td>IDA15 Mid-Term Review</td>
<td>A progress report on IDA’s climate actions during the first half of IDA15 has been completed, and is being presented at the IDA15 MTR for Deputies’ review (see IDA, 2009k).</td>
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<td>• Report on progress on climate change actions.</td>
<td>• A Report</td>
<td>IDA15 Mid-Term Review</td>
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<td>Helping Ensure Debt</td>
<td>• Continue to implement the IDA grant allocation framework using countries’ risk of debt distress as primary grant eligibility criterion.</td>
<td>• Annual allocation exercise</td>
<td>Ongoing</td>
<td>IDA grant allocation framework has been implemented in the annual allocation exercises for FY09 and FY10.</td>
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<td>Sustainability</td>
<td>• Conduct regular DSF-style DSAs for all active IDA-only borrowers.</td>
<td>• Board papers</td>
<td>Ongoing</td>
<td>Ongoing for all active IDA-only borrowers. An update on the NCBP was sent to the Board for information in June 2008. A new NCBP update paper will be sent to the Board for information in Q2 of FY10.</td>
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<td>• Provide regular updates on progress to date in dealing with the Non-Concessional Borrowing Policy.</td>
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<td>3rd quarter FY08</td>
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<td>• Develop a Medium-Term Debt Management Strategy (MTDS) toolkit and advisory services for IDA countries.</td>
<td>• Pilot TA in 4-6 countries and roll out thereafter</td>
<td>End-FY08</td>
<td>The MTDS toolkit has been developed and circulated to country teams in 2009. It includes a guidance note on the process of designing and implementing a debt management strategy in a low-income country (LIC) context, a template for strategy documentation and a quantitative cost-risk analysis tool with an associated handbook. As of October 2009, this toolkit has been applied in eight countries. To support advisory services to LICs regarding debt management, the Bank launched in November 2008 a multi-donor trust fund, the Debt Management Facility for LICs. The DMF is a grant facility financed by a multi-donor trust fund to support the scaling up and accelerated implementation of the Bank’s debt management work program in LICs.</td>
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<td>Gender</td>
<td>Provide a status report on the Gender Action Plan. Strengthen the tracking of progress on gender outcomes and work towards the collection and analysis of gender-disaggregated statistics at the country level.</td>
<td>A Report</td>
<td>IDA15 Mid-Term Review</td>
<td>A paper reporting on the Gender Action Plan has been prepared for the IDA15 MTR (see IDA, 2009). The GAP has supported the strengthening of the Bank's gender monitoring system for tracking country level gender disaggregated statistics and outcomes in IDA countries. The GAP continues to provide support for statistical capacity building for IDA countries.</td>
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**SPECIAL THEME II: ENHANCING COUNTRY-LEVEL EFFECTIVENESS**

| Harmonization and Alignment | Issue guidelines on PIUs requiring that their integration into government structures become the default option for IDA projects. | Guidelines on PIUs | FY09 | The Bank has reviewed its current (2005) guidance to staff on PMAs and found it to be fully aligned with aid effectiveness commitments and intentions. It recommends the “use of existing institutional structures as the default mode, and use of “enclave” PIUs as an exception.” It recognizes that the appropriate PMAs for each project depend on country and project circumstances. It also recommends bringing the issue of country capacity development and project implementation arrangements into the country-level dialogue, establishing country-level guidelines on PMA (including PIU staff remuneration and other incentives) to minimize distortions while pursuing broader civil service pay reforms, and addressing broader institutional capacity development issues at the sector strategy level. |

| Harmonization and Alignment | Review IDA’s performance with respect to predictability of disbursements, as well as the constraints to medium-term predictability of IDA disbursements, at the country level. | A Report | IDA15 Mid-Term Review | The Bank reviewed its record with respect to predictability as part of the overall agenda on transparency, accountability and results. This exercise has highlighted the importance of using a measure of predictability that appropriately reflects donor and country performance based on the needs of recipient governments. The Bank’s performance on aid predictability has been relatively good, but efforts will be strengthened to improve the reliability, availability, and timing of disbursement data and better communicate this information to governments. With the ultimate objective of strengthening accountability, the Bank will work with international initiatives that focus on providing reliable and transparent aid data. These efforts to make donor funds more predictable need to be coupled with efforts to develop country capacity to better integrate aid management with budget management and with overall support to countries to improve budgeting systems and medium-term fiscal frameworks. |

| Harmonization and Alignment | Carry out – jointly with other interested donors – a survey of selected country programs and the total amounts of co-financing and of pooled and parallel financing they leverage through IDA’s budgetary support and investment lending. | Report of the survey | Accra High Level Forum, 2008 | The Bank has carried out a survey of selected country programs to examine the financial leverage from co-financing. In the past 10 years, IDA has significantly broadened its financial collaboration with other donors, from co-financing and parallel financing of stand-alone projects to emphasizing program-based financial collaboration. |

<p>| Harmonization and Alignment | Reporting by Regional Management to the Board periodically, on IDA’s actions at the country level to assist in the preparation and implementation of Regional Alignment and Harmonization | Regional Alignment and Harmonization | Ongoing | Regional Management reports regularly to the Board on progress on the AE agenda, and will continue to do so. In the 2009 Regional Strategies to the Board all the Regions highlighted the importance of coordinating assistance |</p>
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<td>country-led strategies or plans for harmonization and alignment.</td>
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<td>reports</td>
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<td>with other donors. Additionally the Africa Region emphasized the importance of collaboration with non-traditional donors. Building country capacity to articulate priorities and strengthening country systems were also raised as medium-term goals.</td>
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<td>• Update good practice note on joint/collaborative CAS preparation.</td>
<td>• Good Practice Note</td>
<td>2008</td>
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<td>The Bank is updating its guidance note on good practice for collaborative CASs to fulfill the IDA15 commitment. In preparing this update, the Bank reviewed experience with collaborative country strategy work. This review found that the term “joint/collaborative CAS” goes well beyond the production of a strategy document to include a range of collaborative activities that are often sequential.</td>
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<td>• Update good practice note on PSIAs.</td>
<td>• Good Practice Note</td>
<td>2008</td>
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<td>The Bank has updated its good practice note on poverty and social impact analysis (PSIA). It aligns the focus of PSIA with country priorities and builds ownership of reforms; focuses on building country capacity to carry out country-led PSIA; encourages making PSIA findings available for informed public debate by a wide range of stakeholders; and highlights the usefulness of PSIA for building demand for measuring the impacts of reforms, and strengthening the country’s overall national monitoring and evaluation framework.</td>
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<td>• Further review application of conditionality.</td>
<td>• Development Policy Operations Retrospective</td>
<td>FY09</td>
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<td>The Bank has reviewed recent Bank experience with conditionality in development policy operations (DPO), focusing on the effectiveness of Bank DPOs in supporting countries in the design and implementation of their medium-term development policy agendas. One of the main findings of the retrospective was that the Bank continues to prepare its DPOs in line with its good practice principles for the application of conditionality (reinforcing ownership, harmonization, customization, criticality, transparency and predictability).</td>
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<td>• Work with other lenders/donors on common (harmonized) legal requirements for MOUs in joint financing operations.</td>
<td>• Conferences, Analytical studies, MOUs</td>
<td>Ongoing</td>
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<td>The Bank has been working with other lenders and donors to develop common guidelines for Memoranda of Understanding (MOUs) in joint financing operations as per the IDA15 commitment.</td>
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<td>• Update progress on the Matrix of Actions for Harmonization and Alignment.</td>
<td>• A Report</td>
<td>IDA15 Mid-Term Review</td>
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<td>Progress on the Matrix of Actions for Harmonization and Alignment has been completed and is contained in the IDA15 MTR report on aid effectiveness (see IDA, 2009d).</td>
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<td>• Facilitate and support country efforts to incorporate non-traditional partners – vertical funds, non-DAC donors, and the private sector – in harmonization and alignment actions and undertake further analytic work on the changing aid architecture.</td>
<td>• Conferences, Memoranda of Understanding, Analytical studies</td>
<td>2008</td>
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<td>The Bank continues to focus on developing the capacity of non-traditional partners in their role as donors, including through knowledge sharing, and supporting and facilitating learning from South-South partnerships; working with new donor countries and global programs to improve country alignment; and working with recipient countries to support engagement with non-traditional partners.</td>
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<td>• Enhance internal staff incentives and guidance on ownership, harmonization and alignment.</td>
<td>• Good Practice Note</td>
<td>FY09</td>
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<td>The Bank considers its IDA15 commitment of enhancing staff incentives and guidance an ongoing activity. Bank staff provided feedback on the AE agenda.</td>
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<td>Through a variety of channels: staff interviews, focus groups, and survey responses. Among the main conclusions are: (i) over three-quarters of the 200 Bank staff responding to a survey agreed that achieving the AE commitments would improve development outcomes; (ii) most important incentive to Bank staff is leadership of the partner country in designing and implementing its development program; and (iii) concrete results at the country level increase staff committed to the AE agenda.</td>
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<td>● Continue to implement and explore further options for decentralization.</td>
<td>A Report</td>
<td>IDA15 Mid-Term Review</td>
<td>As reported to the Executive Directors in June 2009, the Bank has met its commitments related to decentralization. For the Africa Region (AFR), the number of internationally recruited staff (IRS) based in the field increased between FY06 and FY09 by over 50 percent. In addition, the percentage of tasks (appraisal, supervision, and analytic and advisory work) that AFR has devolved to the field has climbed nearly 47 percent in FY09. Since the end of FY06, IRS in IDA countries outside of Africa have increased by 21 percent; also IRS in FCSs have increased by 28 percent and three new offices—in the Solomon Islands, Tonga, and Samoa—have been opened.</td>
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<td>● Complete an analysis of different models of decentralization by types of clients and services, and develop an approach to better define cost effectiveness of decentralization in light of budget implications, with special attention to fragile states.</td>
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<td>September 2008</td>
<td>The Africa region is working towards all new and vacant internationally-recruited positions to be based in the field, thereby increasing the number of internationally recruited staff in the field by over 50 percent by end FY08 compared to FY06.</td>
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<td>● The Africa region is working towards all new and vacant internationally-recruited positions to be based in the field, thereby increasing the number of internationally recruited staff in the field by over 50 percent by end FY08 compared to FY06.</td>
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<td>The Africa Region intends to continue to pursue this field-based recruitment effort during the IDA15 period so that the number and percentage of internationally recruited staff in the field would increase.</td>
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<td>● The Africa region is working towards all new and vacant internationally-recruited positions to be based in the field, thereby increasing the number of internationally recruited staff in the field by over 50 percent by end FY08 compared to FY06.</td>
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<td>The Region plans to significantly increase the percentage of projects and programs managed in the field by continuing to move towards a model where a majority of tasks are managed in the field with task managers located in one country and working on two to three.</td>
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<td>● Develop a draft World Bank Action Plan for aid effectiveness in preparation for the High Level Forum on Aid Effectiveness to be held in Accra.</td>
<td>Action Plan</td>
<td>September 2008</td>
<td>The Bank is also exploring ways to develop the next generation approach to decentralization. The objective is to bring the Bank closer to clients and partners through greater field presence, while complementing existing services provided by WBG offices with more emphasis on global expertise and staff. Issues currently being examined include costs, numbers of technical staff, recruitment, and knowledge sharing across countries. The Bank is placing particular emphasis on (a) increasing staff in and devolving tasks to country offices in FCSs and low-income countries; and (b) creating better accessibility to staff with specialized knowledge and skills.</td>
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<td>● The Africa region is working towards all new and vacant internationally-recruited positions to be based in the field, thereby increasing the number of internationally recruited staff in the field by over 50 percent by end FY08 compared to FY06.</td>
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<td>The Bank has taken the messages from Accra and translated them into the Bank’s Aid Effectiveness Action Plan (AEAP), reflecting the evolution of the agenda into one that focuses on Bank actions to strengthen partner countries’ ownership, capacities, and structures across the full spectrum of AE agenda issues; strengthen partnerships, especially by engaging actively with nontraditional partners; and continue the emphasis on results and transparency.</td>
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| Implementing the IDA Results Measurement System | **Country level outcomes: Tier 1**  
- Monitor and report on aggregate progress on 14 key country outcome indicators.  
- Review Tier 1 PSD indicators.  
- Review feasibility of developing a PEFA-based aggregate indicator to measure the quality of countries’ public financial management. | A Report | IDA15 Mid-Term Review | IDA15 MTR Results Management System Report provides progress on the 14 key country outcome indicators (see IDA, 2009e).  
Review of the Tier 1 PSD indicator ongoing; to be completed for IDA16 Replenishment discussions.  
Tier 1 indicator measuring the quality of the public financial management in IDA countries is proposed to be changed from “Public Financial Management (Number of HIPC Benchmarks Met)” to “Quality of Budgetary and Financial Management (CPIA13).” |
| Country Level: Tier 2 | **Enhance quality of CAS Results Frameworks by strengthening emphasis on results in the corporate review process.**  
- Monitor self ratings in CASCRs and their independent validation by IEG. | CAS review process  
A Report | Ongoing  
IDSA15 Mid Term review | CAS Results Frameworks review has been institutionalized as part of the corporate review process. In addition, Management has conducted analysis of the quality of results frameworks including through the fourth CAS Retrospective. The analyses provide recommendations for strengthening the CAS Results Frameworks. CASs are now regularly monitored for self ratings which are independently validated by IEG. |
| Quality at Entry: Tier 2 | **Monitor and report percent of IDA projects with satisfactory quality at entry.**  
- Monitor and report percent of operations whose outcome indicators in the PAD (for investment lending) and in the PD (for DPO) cover key aspects of the PDO. | Quality At Entry Assessment  
A Report | Annual  
IDSA15 Mid-Term Review | In FY09 a new instrument, the Quality Assessment of Lending Portfolio (QALP) replaced the previous Quality at Entry Assessment. It reviews projects that are at least 18 months after effectiveness and at least 18 months prior to the closing date. In QALP, “Quality at Entry” was replaced by “Quality of Design (QD).” The first QALP report, the Quality Assessment of the Lending Portfolio, (April, 2009), found that 69 percent of IDA projects reviewed had moderately satisfactory or better ratings on QD.  
Monitoring of the quality of PDOs in IDA operations is ongoing. The last review (FY08 and FY09 approvals) of PDOs of lending operations found that in 89 percent of the operations the outcome indicators captured all aspects of the PDO and that in virtually all the operations the outcome indicators captured at least one aspect of the PDO. |
| Quality of Supervision: Tier 2 | **Monitor and report percent of ISRs with satisfactory outcome baseline data (i.e. baseline availability for either one outcome or one intermediate outcome indicator).**  
- Monitor and report percent of first ISRs submitted during the fiscal year with adequate baselines for key outcome indicators. | Quality At Entry Assessment | Annual | Monitoring of quality of ISR baseline outcome data is ongoing. A review of a sample (45 out of 64) of latest ISRs found that 76 percent of operations in the sample had adequate baseline data for at least one PDO indicator.  
For first ISRs filed in FY07-09, 84 percent had baseline data for at least one PDO indicator, slightly higher than in IDA14 where on average 83 percent of operations had adequate baseline data for at least one PDO indicator. FY09 data is incomplete but for the 53 operations that have already filed first ISRs, 85 percent have at least one outcome or one intermediate outcome indicator. |
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<td><strong>Quality at Exit: Tier 2</strong></td>
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<td>- Monitor percent of IDA projects with satisfactory outcome ratings and percent of IDA projects with satisfactory Implementation Completion Reports quality.</td>
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<td>IEG continues to monitor quality of outcomes of ICRs and quality of ICR reports: 82 percent projects which exited in FY08 had satisfactory outcome ratings.</td>
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<td>- Monitor percent of IDA Implementation Completion Reports that report on key outputs and outcomes from the results framework.</td>
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<td>Management review of use of key outcome and output data in FY08 and FY09 ICRs found that 78 percent of ICRs reported on outcomes and outputs related to the PDO while another 15 percent had partial data on the PDO. Data were fully used in the assessment of the PDO in 53 percent of the ICRs and partially used in another 35 percent. Output data were available in 60 percent of the ICRs. The MTR report on Results provides an update on selected aggregate project outputs in four sectors: health, education, transport and water.</td>
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<td>- Monitor progress on selected aggregate project outputs in four sectors: health, education, transport and water.</td>
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<td>Core Output Indicators have been developed for the health, education, transport (roads) and water sectors (see Annex 3). Use of the indicators in ISRs was launched on July, 1, 2009. The indicators are being applied to operations approved under IDA14 and IDA15.</td>
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<td>- Develop a list of uniform/standardized output indicators for 4-5 sectors.</td>
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<td><strong>Analytical work</strong></td>
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<td>Summary assessment of previous AAA assessments is included in “The IDA15 Results Measurement System MTR Report” (IDA, 2009e).</td>
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<td><strong>Statistical Capacity Building</strong></td>
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<td>CASs include discussions on country statistical systems. Guidelines have been prepared for addressing statistical issues in CASs. Guidance is also provided by internal Statistical Capacity Building Committee. Monitoring of implementation progress is done mainly through M&amp;E in IDA operations and analytical work.</td>
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<td>- In each IDA CAS, require a more comprehensive discussion of weaknesses in IDA country statistical systems and their use in decision making. Where relevant, follow up in DPOs, ILs, AAA, CASPRs, CASCs, and ICRs.</td>
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<td>The purpose of the TFSCB was not expanded as earlier proposed. Instead as agreed with donors, a new Statistics for Results Facility Catalytic Fund (SRF-CF) was established and became effective on July 30, 2009. The catalytic fund will complement the TFSCB and will help mobilize large-scale investment resources for the National Strategy for the Development of Statistics (NSDSs). The TFSCB guidelines are being revised and updated to focus on helping countries implement their NSDSs.</td>
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<td>- Explore the potential for expanding and re-designing the existing TFSCB to primarily provide a mechanism to finance and co-finance as well as to supervise investments in statistical capacity and implementation of NSDSs.</td>
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<td>Five pilot countries have initiated the process of identifying lead an active donors which is criterion for accessing funding under the SRF-CF for developing a sector-wide approach to building statistical capacity.</td>
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<td>- Jointly with donors and partners, intensify efforts to identify “lead donors” for work in selected priority countries and accelerate efforts to develop a sector-wide approach to building statistical capacity in these priority countries.</td>
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<td>- Develop web-based data standards system to help IDA countries track progress towards internationally accepted norms of data coverage, frequency, and timeliness.</td>
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<td>The web-based data standards system has been developed and is on a “Bulletin Board” system, which allows countries to provide updated information using a web-based application.</td>
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<td>● Continue to improve staff and Management incentives for implementation of the results agenda by aligning performance to results.</td>
<td>● Consideration in reform of Strategic Performance Contracts</td>
<td>FY08</td>
<td>Management continues to refine corporate performance review and reporting. One of the key actions for improving the planning, budget and performance management process is the improvement of tools such as the Strategic Performance Contract. Management will consider incentives for implementing the results agenda as part of any such reform.</td>
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**SPECIAL THEME III: IDA’S ROLE IN FRAGILE STATES**

**Operational Support and Financing Arrangements**

- ● Continue to strengthen IDA’s support to fragile states, with key objectives of supporting state building and peace building activities.
- ● Assess implementation experience with lengthened phase-out for post-conflict and re-engagement allocations.

**Product**

- ● PRSP, ISN/CAS, ESW, individual operations
- ● A Report

**Target Date**

- Ongoing
- IDA15 Mid-Term Review

**Actions Taken/Remarks**

- Fifteen of 22 ISN prepared from FY06 to the 2nd quarter of FY08 were for fragile and conflict-affected states. In FY08, IDA assistance resumed for 2 new post-conflict countries (Cote d'Ivoire and Liberia) and one re-engaging country (Togo). These involved preparation of CASs, ESW, ISN, PRSs and lending/grant operations.

A review of the implementation experience has been completed as agreed, and a separate status report is being presented at the IDA15 MTR for Deputies’ review (see IDA, 2009f).

- ● Develop indicators to measure progress in state building and peace building activities.

**Product**

- ● Guidance note

**Target Date**

- December 31, 2008

**Actions Taken/Remarks**

- Work is in progress and is linked to progress on the OECD-DAC work on state building. Revised completion date: December 2010.

- ● Prepare a multi-donor results framework tool to assist authorities in post-conflict and political transition situations.

**Product**

- ● Joint World Bank-UN guidance note

**Target Date**

- June 30, 2008

**Actions Taken/Remarks**

- ● Completed: UNDG/WB guidance issued December 2008
- ● Continuing: UN/WB accords October 2008; Multilateral Development Bank statements October 2007; EC/UNDG/WB joint declaration September 2008
- ● Completed: Joint guidance note issued in September 2007

- ● Report on progress on human resources reforms, cooperation with the UN and other actors, implementation of DAC Principles and the adaptation of country assistance strategies to fragile and conflict-affected environments.

**Product**

- ● A Report

**Target Date**

- IDA15 Mid-Term Review

**Actions Taken/Remarks**

- ● Completed: A report (IDA, 2009i) has been prepared for the IDA15 MTR.
<table>
<thead>
<tr>
<th>Objective</th>
<th>Recommendations/Actions</th>
<th>Product</th>
<th>Target Date</th>
<th>Actions Taken/Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Lengthen the duration of exceptional assistance to post-conflict countries from 7 to 10 years by doubling the phase-out period from 3 to 6 years. Calibrate exceptional assistance during the phase-out period on a case-by-case basis based on country performance as measured by the Post-Conflict Performance Indicators (PCPIs). • Link the share of post-conflict allocations in overall allocations to changes in the overall replenishment size. • Graduate some post-conflict countries from receiving exceptional allocations earlier than 10 years if warranted by country circumstances. • Retain additional flexibility in deciding post-conflict allocations in the first year as agreed during the IDA13 replenishment discussions. • Lengthen the duration of exceptional allocations to countries re-engaging with IDA after a prolonged period of inactivity from 3 to 5 years, including three years of phase-out to PBA allocations. Calibrate exceptional assistance based on performance. Provide resources that would be around half of what would be provided under the post-conflict allocation system. • Implement systematic approach for arrears clearance for eligible countries.</td>
<td>• PCPI and Allocation exercise</td>
<td>Annual</td>
<td>• Completed. The lengthened phase out is under implementation from the beginning of IDA15 (FY09). • Completed. The share of post-conflict allocations have been linked to the overall replenishment size of IDA15, i.e. the resource envelope for post-conflict and re-engaging countries has been increased by the same amount as the increase in IDA15 country allocable resources (21 percent). • Flexibility has been retained, but no country has warranted graduation from the post-conflict allocations in the first half of IDA15 (FY09 and FY10). • Completed. The duration of exceptional allocations to re-engaging countries has increased from 3 to 5 years with the start of IDA15 (FY09).</td>
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**MANAGING IDA’S RESOURCES**

<table>
<thead>
<tr>
<th>Structural gap</th>
<th>Recommendations/Actions</th>
<th>Product</th>
<th>Target Date</th>
<th>Actions Taken/Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Analyze the structural financing gap in IDA replenishments.</td>
<td>• A Report</td>
<td>IDA15 Mid-Term Review</td>
<td>A paper providing an analysis of the structural financing gap in IDA replenishments was submitted for the MTR (IDA, 2009h). It notes that Donors may want to consider options for dealing with the structural financing in IDA16 around the second or third replenishment meeting once impact of the overall size of the targeted funding volume and projected disbursement profile for IDA16 commitments can be evaluated.</td>
</tr>
</tbody>
</table>
Annex 5
Bibliography

IDA15 Mid-Term Review Papers

3. IDA. 2009c. “MDRI Financing Status: Options for Addressing a Possible Donor Financing Shortfall”, Washington, DC, October
4. IDA. 2009d. “IDA15 Mid-Term Review: Aid Effectiveness”, Washington, DC, October
5. IDA. 2009e. “The IDA15 Results Measurement System: Mid-Term Review”, Washington, DC, October
7. IDA. 2009g. “A Review of the Use of Output-Based Aid Approaches”, Washington, DC, October
8. IDA. 2009h. “IDA15 Mid-Term Review of the IDA Regional Program”, Washington, DC, October
13. IDA. 2009m. “IDA’s Performance-Based Allocation and Development Results: An Update”, Washington, DC, October

Other References


