

**SELECTIVITY AND ACCOUNTABILITY IN IDA'S
REPLENISHMENTS**

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**International Development Association
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Executive Summary

This study follows from **OED's 2001 evaluation** of IDA's 10th to 12th replenishments, which proposed improvements to the IDA replenishment process:

1. to address the increasing complexity of the reports and the undertakings they contain,
2. to form stronger linkages between the Deputies and IDA's other constituencies, particularly IDA recipients.

After background sections (1-3), the report considers in Section 4 the case for greater **selectivity in the policy content** of IDA replenishment discussions, and concludes a selective approach would bring many advantages.

The report then looks in Section 5 at the role and representation of **IDA recipient countries** in the replenishment process and the links with the IDA **Executive Directors**.

Section 6 considers the relationship with **other stake-holders**, including Southern Civil Society.

The report's **recommendations** are brought together in **section 7**:

R1-R4 cover the issue of selectivity. They recommend the selection of a limited number of **special themes** for each replenishment (three or four) on which policy discussions would concentrate, and **a three-part report**:

Part 1 would summarise IDA's vision and existing strategic framework

Part 2 would set out deputy's conclusions on the chosen or special themes

Part 3 would cover finance and related topics.

Deputies' **recommendations** would be **integrated** into IDA's regular implementation and monitoring system.

R5-R10 deal with linkages with IDA recipients, the Executive Directors, and Civil Society.

R5-R7 set out an expanded role for **borrower representatives**, and propose how this should be resourced. They envisage more systematic links with representatives of recipient countries in the constituencies of IDA Executive Directors.

R8 proposes an interactive link between Deputies and the **Executive Directors**.

R9-R10 make recommendations for Deputies to meet **opinion formers** in IDA recipient country regions, and to engage **Southern Civil Society** more fully in the replenishment process.

1. Introduction and Acknowledgments

As part of the preparations for the Thirteenth Replenishment of IDA (IDA13 – covering FY01-03), OED carried out a major review of IDA's performance over the IDA10-12 period. The main report is entitled "IDA's Partnership for Poverty Reduction (FY94-00): an Independent Evaluation" and was published in May 2001. The report was discussed at a Deputies meeting in September 2001. Its findings were generally supported by the meeting, and informed the IDA13 final report.

In the final section of the report, OED made some observations about the replenishment process itself, and suggested some reforms to deal with the problems identified – essentially an over-elaborate layering of undertakings and conditions, and deficiencies in some desirable linkages with important IDA stakeholder groups, particularly the Borrowers.

As will be seen, some actions were taken in response in IDA13 itself. The purpose of the present study is to review these aspects of the replenishment process, consider whether further actions and modifications are desirable, and make proposals to the Deputies meeting at the Mid-Term Review in November 2003. The full Terms of Reference for the study are at Annex 1.

The method adopted for the study was to read the literature (key documents are listed in Annex 2) and consult as widely as possible. In particular I canvassed the views of the IDA Deputies, and held meetings with as many of them as possible within the time; I met with representatives of all the Executive Directors' offices in Washington, in many cases with the Directors; I interviewed a number of the IDA13 Borrowers Representatives; and I had meetings with IDA staff including OED, Strategy and Resource Management, PREM and Operations Policy Departments, as well as Finance and Resource Management (FRM) which commissioned the study.

I very much appreciated the readiness of all I met to make their time available and discuss the issues in an open and creative way. The contents of the report and any errors and omissions it contains are of course my sole responsibility.

2. Background – IDA’s Replenishment Process and the IDA Deputies

As a multilateral fund providing concessional assistance to poor countries, IDA requires periodic replenishment to maintain or increase its level of operations. Replenishments have been carried out every three years since IDA’s creation in the 1960s, and have been conducted since the first few replenishments by a group of representatives of IDA donor member countries known as the IDA Deputies.

The IDA Deputies are an informal group not documented in IDA’s Articles. Their report, which is adopted by the group on a consensus basis, is approved by IDA’s Executive Directors and then its Board of Governors. It has not been the practice for IDA’s Governing Bodies to amend the report. Its essential character is that of a compact between the donors and the institution, under which donors provide financial support on the understanding that the funds will be used and managed in the ways outlined in the report.

This system has proven over the years to be a highly successful method of resource mobilisation, enabling IDA to achieve and maintain a primacy amongst multilateral concessional financial institutions which is related to the volume of its financial resources as well as to the World Bank Group’s strength in human resources and capacity for analysis of development issues.

While originally the Deputies met to discuss their contributions in terms of volume and burden-sharing, it was not long before their discussions took on some policy content. Policy discussions in the Deputies’ group, and their reflection in the Deputies’ report, have become progressively more detailed and specific, in particular from IDA9 (1990) onwards. Since IDA12 they have included a Matrix of “Objectives and Actions” (the Action Plan) which sets out in some detail a set of time-bound tasks and targets linked to the report’s recommendations.

In the course of this work the Deputies have contributed to the development of IDA’s policies and procedures in some important directions. Some examples:

- The Deputies have recommended various modifications to IDA’s Allocation system over several replenishments.
- Deputies have generally urged IDA in the direction of increased openness and transparency – of course a trend in the international development community in general.
- Deputies have underlined the central importance of poverty reduction to IDA’s mission, including the fundamental global role of the Millennium Development Goals and at the country level the need for country-owned and developed Poverty Reduction Strategies.
- Deputies have stressed the importance of Governance issues in development and the need for IDA to take increasing account of them in its operations, consistent with the provisions of the Articles.
- Deputies have consistently stressed the importance of conducting all IDA’s operations with full regard for their environmental sustainability.

- Deputies have agreed to the introduction and expansion in IDA13 of IDA's grant-making capacity.
- Deputies also added impetus in IDA13 to the drive to measure performance and results in robust and transparent ways.

At the same time the Deputies remain a donor group, and as their deliberations have extended into almost all policy areas of IDA's operations, questions have inevitably arisen about their relationship to the wider membership and the extent to which their policy prescriptions recognise the views and interests of other groups, particularly the governments of the IDA recipient countries, also civil society both in the North and the South, and the full membership of the Association as represented by the Boards of Executive Directors and Governors.

3. The Replenishment System – Recent Refinements

In recent replenishments a number of innovations have been made to assist the Deputies in carrying out their work in an open and consultative way and enabling them to take account of the views and experience of IDA's borrowers and civil society. For example, papers and draft reports have been routinely copied to the Executive Directors, the IDA Deputies' Chairman has briefed the Executive Directors on proceedings after each Deputies' Meeting, and Deputies have held meetings with representatives of Southern Civil Society.

In addition, in IDA13:

- A group of Borrower Representatives, drawn from the main regions receiving IDA flows, was appointed with the right to attend and speak at all Deputies' meetings, except when burden sharing was being discussed.
- All non-financial replenishment papers were made publicly available, and the draft IDA13 Deputies' Report was posted on a public website for comment. Comments posted on the website were summarised by the Staff and distributed to the Deputies.
- A full day meeting was held in Addis Ababa, organised by the UN ECA, back to back with one of the IDA negotiating sessions, in which African opinion makers, drawn from both public and private sectors, discussed selected issues with the Deputies.

4. The Case for Greater Selectivity

In 2000-2001, as a follow up to IDA12 and preparation for IDA13, OED carried out an independent evaluation of IDA's performance during IDA10-12, covering the years from 1994-2000. The fundamental aim of this review was to assess IDA's "Partnership for Poverty Reduction," including compliance with its accepted policy framework and results achieved. A key OED recommendation was that IDA should be more selective at the country, program and corporate levels.

OED also concluded that the framework of undertakings set out in successive Deputies' reports had, over time, become "over-loaded and over-determined," creating considerable practical difficulties for management in implementing the IDA undertakings, as well as for an independent evaluation such as OED's to document and assess compliance.

OED concluded that the replenishment process might usefully be re-examined. The process should aim to:

- Develop a longer-term vision, focussed on results.
- Engage developing countries in setting and reviewing replenishment commitments.
- Define commitments in terms of monitorable and achievable objectives and take account of their realistic costing.

A look at the Action Plans for IDA12 and 13, and the matrix constructed by OED itself to reflect the undertakings of the previous two replenishments, bears out OED's finding on the proliferation of undertakings in Deputies' reports. There are some 60 time-bound undertakings in the nine pages of the IDA13 Action Plan – compared with five pages and 40 odd undertakings in IDA12. IDA13 therefore represents an increased level of detail as compared to IDA12.

It is reasonable to ask whether such detailed prescriptions are the best use of the Deputies' reports. The Deputies meet no more than four times in a year during each replenishment discussion. They are not positioned to have a detailed and continuous dialogue with management on policies and practices – it is for this that the resident Executive Directors exist and are also fully representative of the membership as a whole.

Furthermore the Action Plans have a freestanding character and are not clearly linked with IDA's general management information system, monitored by the Executive Directors. There is a risk of creating a parallel reporting channel for IDA undertakings. Under the Results agenda, and with the strong support of the Deputies, an evidence-based performance assessment system is being developed. It is important that replenishment undertakings are integrated into this approach. Board monitoring of key replenishment undertakings should also foster a more cooperative relationship between Board and Deputies (See Recommendation R4).

A more selective approach would enable Deputies to focus on a few areas where they could make a difference and have a positive impact. As a Deputy commented in the course of my consultations: "If everything is a priority, nothing is." Review of past experience suggests

Deputies have made most impact when they have concentrated on a high level strategic issue rather than through a proliferation of detailed requirements – as illustrated by the list of issues at the end of Section 2.

A more selective approach by the Deputies would also support and reinforce IDA's thrust to exercise greater strategic selectivity across its activities, as recommended by OED. This work is described in the progress report: "The Role of Selectivity in Enhancing IDA Effectiveness," also circulated to Deputies for the Mid-Term Review in November 2003.

There would also be advantages in other areas. Consultation and feedback from other actors would become more feasible if, in each replenishment, Deputies focussed on a small number of strategic issues chosen for their potential to add value to IDA's operations. Borrowers would be better able to contribute their perspectives on a limited agenda, the views of Civil Society could be collected in a more manageable form. Specific lessons from past evaluations could be fed into discussions. A suggested approach to achieving a greater selectivity in Deputies' policy discussions is set out in Recommendations R2 and R3.

As noted above, the OED Review also recommended that the Deputies' report should develop "a longer-term vision, focused on results." Such a vision does inform the Deputies reports for IDA12 and 13, but there is not a clear separation in the reports between the established strategic framework of IDA and new policy areas being discussed in each replenishment. A useful reform could thus be a two part structure for the policy content of the report: a section setting out in summary form IDA's existing and agreed Strategic Framework; and the substantive section based on a limited selection of policy issues (Recommendation R1).

This two part format should be useful for external communication purposes, and would demonstrate to certain external constituencies that, notwithstanding the selective approach being adopted, issues of particular concern to them formed part of IDA's overall policy framework. This Vision/Strategy section could also be the basis for a short leaflet about "IDA's role in Poverty Reduction," incorporating a vision statement and key elements of IDA's strategic approach.

5. Accountability, Recipient Countries' Voice and the IDA Executive Directors

The development paradigm now accepted by the international community stresses the need for country-owned Poverty Reduction Strategies and concerted international support. One effect of this understanding of development has been increased attention to questions of the effectiveness of the Voice of developing countries in the international financial architecture, including the IFIs. The Executive Directors are considering a range of measures to enable developing country constituencies, several of which represent large numbers of member countries, to assume a fuller and deeper role in the work of the institution.

Deputies are alive to these trends of thought. Already in IDA13, they took a major step to incorporate borrowers' views in the replenishment discussions, by inviting a group of "Borrower Representatives" to take part in the meetings – two from Africa, two from Asia, and one each from borrowers in Europe and in Latin America/the Caribbean. There is general agreement that this arrangement should continue in IDA14, in which borrower representatives also will be backed by alternates. It should further be possible to use this resource better to obtain a broader and more informed representation of borrower views. This would inter alia require a fuller definition of their role and functions, and the provision of modest budgetary resources.

A fundamental improvement would be to form an organic link between the Borrower Representatives and representatives of IDA recipient countries in the constituencies of the IDA Executive Directors. The Board representatives could constitute a base for the Borrower Representatives and help them carry out their functions. In addition the representatives of IDA recipients are often the members of the Board who are least connected to proceedings in the Deputies' meetings, since donor representatives have a direct link with their own Deputies. A link between IDA Board representatives for recipient countries and the IDA Borrower Representatives would go some way to remedy this. A suggestion how this system could work is contained in Recommendations R5-R7 below.

Borrower representatives could also perform a valuable role in canvassing wider opinion within their regions, including the views of Civil Society, possibly through one or more seminars or workshops targeted on the focus themes selected by Deputies.

Deputies universally seem to have found the "Addis Day" in IDA13 a valuable experience. It gave the issues underlying Deputies' discussions a greater immediacy and context for Deputies themselves, as well as enabling the developing country participants to explain the opportunities, problems and constraints as they saw them from the recipient end. This feature could be modestly extended in IDA14, as explained in Recommendation R9 below.

The Executive Directors in their more formal manifestations could also have a role in reflecting developing country voice, as well the collective views of the member countries in general. The reports by the IDA Chairman mentioned in Section 3 could be made more interactive by the Chairman briefly reporting back to Deputies the salient points of the Board discussion held after each Deputies' meeting (Recommendation R8).

6. Other Stakeholders

The IDA13 procedure of posting papers on a special website was, as noted above, a major step forward in the transparency of the replenishment process. There is also an opportunity to post comments on the website, though feedback has sometimes suffered from an imperfect understanding of the issues. Most Deputies' departments also organise regular consultations with their own national NGOs and take their views into account in preparing for meetings. An early selection of a limited policy agenda for a replenishment, as recommended in this report, would enable these consultations to be more targeted and substantive.

It is more difficult to gain a realistic impression of the views and orientations of Southern NGOs, they are of course an extremely diverse and fragmented group. The session with Deputies for a few selected Southern NGOs has received mixed assessments. Achieving a representative input from such a small sample of NGOs is very difficult, and there is a risk of their appearing in the guise of "usual suspects." Nonetheless most Deputies feel that the contact enriches their deliberations and should be continued, but buttressed with further measures – in which the Borrower Representatives might have a role. A more purposeful electronic consultation, again more feasible with a selective Deputies' agenda, could also contribute – see Recommendation R10.

7. Recommendations

R1 Selectivity – the Deputies’ Report

The Deputies’ report should be restructured in the following way:

After an Executive Summary, it should consist of three parts, two on policy and one on finance:

Part 1: The Vision

A 1 page Vision Statement followed by a summary (four to five pages) of IDA’s current strategic framework.

Part 2: Special Themes for IDA14

This section would reflect Deputies’ conclusions on the small number of topics selected for policy consideration during the replenishment.

The Action Matrix, which would be retained, would be concise and focused on the special themes.

Part 3: Finance and related topics.

To cover volume, burden sharing, contribution modalities, commitment procedures, target allocations for different country groups, etc.

R2 Selection of Special Themes

A procedure for the selection of special themes for IDA14 should be agreed at the November 2003 Mid-Term Review. The following timeline is proposed:

November 2003-December 2003: Management seeks proposals from Deputies on candidates for special themes. The views of the Borrower Representatives (consulting with their Board constituencies, see below), and of Management are fed in, and the findings of OED’s evaluations of IDA’s effectiveness are taken into account.

January-February 2004: A short list of themes is drawn up and further consultations with Deputies take place. An options paper is prepared for decision by Deputies.

February/March 2004: At the first meeting of IDA14 the chairman makes a proposal for the choice of themes. There should be three or four themes for a given replenishment.

The cycle of meetings, preparation of papers, consultation arrangements, etc., can then be scheduled around the chosen themes (See Annex 6 for an illustrative schedule of events for IDA14).

R3 Criteria for selection

The main criterion for selection would be the prospect of adding value to IDA's operations. Themes selected could be:

- Emerging issues since the last replenishment (e.g., in the past the PRSP, the global AIDS epidemic).
- Strategic issues under development (e.g., in IDA12 and 13 the CPIA, currently the Results agenda).
- Policy areas in need of further development (e.g., the Private sector in IDA13).

R4 Integrated reporting and implementation

The recommendations in the IDA Replenishment report, following approval of the report by the Governors, should be incorporated into IDA's regular implementation and monitoring systems. Management would report regularly to the Board on implementation and the Board would monitor progress alongside the rest of IDA's policy framework in an integrated manner. There would still need to be special reports to the Deputies at the mid-term review, concentrating on the Deputies' recommendations related to the special themes, but these could essentially be drawn from IDA's regular management and Board reporting systems.

R5 The Borrower Representatives' links with their "Board Constituencies"

Representatives of IDA recipient countries on the Board (in some cases Directors, in others Alternates or Advisers in mixed constituencies) should form a constituency to guide and support the participation of the Borrower Representatives in the replenishment. Borrower Representatives should consult regularly with their Board constituencies, before and after meetings. The Board constituencies should provide support and back-up for BRs in carrying out their functions.

R6 The Borrower Representatives – Role and Terms of Reference

The Borrower Representatives should be mandated to gather and reflect broad-based views from within their regions. This could include, for example:

- Taking opportunities to meet Ministers from their regions at Annual Meetings of the World Bank – perhaps in regular constituency meetings – and of the relevant Regional Banks or other regional bodies.
- Presiding over one or two workshops on special themes for the replenishment, drawing in opinion-formers from the public and private sectors.
- Taking part in NGO meetings organised back-to-back with Deputies' Meetings under recommendation R9.

Borrower Representatives should consult their Board constituencies on the results of these activities and report their findings to the relevant theme session of the replenishment. Board constituencies could be directly involved in these activities where feasible.

Draft expanded terms of reference for the Borrower Representatives are in Annex 5.

R7 The Borrower Representatives - Resourcing

To carry out this sort of range of functions, Borrower Representatives will need to make a commitment of time and will need to be equipped with limited budgetary resources, for example for some travel to Washington and to regional meetings.

A small basic budget should be provided by the Bank for each Representative, e.g., based on 4 or 5 visits to Washington/the region in the course of a replenishment. This could then be supplemented in the following ways, in agreement with the Board Constituencies.

- From the Trust Funds proposed for some Board constituencies under the Voice initiative, and/or
- From a dedicated donor Trust Fund set up for the purpose.

These resources could cover certain preparatory work, preparations for and reporting on regional meetings, short issues papers/annotated agendas, etc.

R8 An interactive link with the Executive Directors

The Chairman should continue to brief the Executive Directors after each Replenishment session, based on the agreed Chairman's Summary. Board discussions should be held on the special themes for the replenishment, and the views of Directors summarised and circulated to Deputies at the next meeting.

R9 Extension of the "Addis Model"

Two all day sessions should be scheduled in the course of the replenishment for the Deputies to meet and discuss the special themes with opinion formers, public and private sector in the main IDA recipient country regions. The sessions organised by the UN ECA in Addis Ababa during IDA13 are a good model for these events. The sessions would be held back-to-back with IDA negotiating meetings. One should be held in Africa and devoted to African issues and views. The other would probably be held in Asia, but would need to provide opportunities for discussion on perspectives of the other regions – say Asia ½ day and shorter sessions each for LAC, MNA and ECA.

R10 Civil Society

Further efforts should be made to engage Southern Civil Society in the special themes. The following measures are proposed:

- A pro-active internet-based consultation process. This would probably consist of one or more questionnaires sent to a list of Southern NGOs prepared by the Bank Staff and reviewed by Deputies. The results would be analysed by the Staff and reported to Deputies in the mailings before each meeting.
- A meeting of Southern NGOs in the margins of each of the two “Addis days” in Africa and Asia respectively. Borrower Representatives should be involved in preparing the meetings and should participate in and facilitate them.

Annexes

- Annex 1 Terms of Reference: Selectivity and Accountability in IDA’s Replenishments
- Annex 2 Documents List
- Annex 3 Excerpt from OED Evaluation, May 1, 2001: IDA’s Partnership for Poverty Reduction (FY94-00)
- Annex 4 Increasing Details in Replenishment Reports in IDA10-13
- Annex 5 Terms of Reference for IDA Borrower Representatives
- Annex 6 Outline Schedule of Events

Terms of Reference Selectivity and Accountability in IDA's Replenishments

Background

OED's Independent Evaluation of IDA's operations from 1994-2000 made a number of observations about the IDA replenishment process. Inter alia it suggested (paras 8.5-8.6):

- that replenishment undertakings had become over-loaded and over-determined, for example in the number and detail of recommendations;
- that undertakings had often been unrealistic in relation to what could reasonably be accomplished in three years, and had focused more on inputs than on results;
- that the replenishment process had become too disconnected from IDA's development partners – both borrowers and assistance agencies.

Consequently the Review recommended three changes (para 8.6):

- ✓ To develop a longer-term vision based on results.
- ✓ To engage developing countries in setting and reviewing replenishment commitments.
- ✓ To define commitments in terms of monitorable and achievable objectives and take account of their realistic costing.

The Review's recommendations were discussed during the 13th replenishment. A clearer long-term vision features strongly in the IDA13 Report. A process has also been launched to measure and track the results of IDA over the medium term. In addition the replenishment process was made substantially more transparent and borrowers and civil society were given greater and more structured opportunities to contribute to it.

However, the framework of undertakings in the report remains complex, especially when viewed in relation to the continued application of earlier undertakings to IDA's existing operations. There may also be a need to reconsider the process for the engagement of borrowers in advance of the 14th Replenishment.

Objective

Against this background the objective of the consultancy is to review the existing body of undertakings contained in Replenishment reports from the IDA10-13 period; to consider how the IDA policy framework might be reflected in a more consistent, manageable and monitorable way in future, while preserving appropriate accountability to IDA's key constituencies – its governing bodies, donors and borrowers; and to prepare a report based on wide consultation, particularly with IDA Deputies and also with IDA's Executive Board, to be considered at the IDA Mid-Term Review in November 2003.

Terms of Reference

Specifically, the study should:

1. Examine the trend of growing complexity and specificity of donor requirements in successive replenishments, bearing in mind the OED review's themes of selectivity and mandate overload.
2. Consider the relative roles of the IDA Replenishment process and the IDA Executive Board, and approaches to representing the voice of IDA borrowers/recipients.
3. Propose ways in which the IDA agreement can be made more operationally effective, preserving the Bank's accountability to donors on overall development policies and IDA's role in appropriately financing client countries' development needs, while duly recognizing the functions and responsibilities of IDA's Board and management.

Capability

The consultant will need to be well versed in IDA negotiations and the dynamics of IDA replenishments (and preferably to have participated in IDA replenishments as a principal), to have a good working knowledge of the Bank and the Board (preferably to have served on the Board), and to be a well-known and respected member of the IDA donor community.

Timing

In order for this work to be relevant to the upcoming replenishment, it should be carried out well in advance of the start of the IDA14 discussions, to allow donor countries sufficient lead time to prepare their approach, and allow their Deputies time to discuss the issue with their counterparts. Thus the task should be carried out during the course of 2003, and the conclusions be discussed with IDA Deputies at the Mid-Term Review in November 2003 and also shared with the Executive Directors around that time.

The work will be spread over several months, and involve discussions with donor representatives, with IDA Staff, Management and the Executive Directors, and also consultations with some Borrower Representatives.

15 April, 2003.

Documents List

1. Additions to IDA Resources: Ninth Replenishment
IDA/R90-1, January 5, 1990
2. Additions to IDA Resources: Tenth Replenishment
IDA/R92-168, December 23, 1992
3. Additions to IDA Resources: Eleventh Replenishment
IDA/R96-64, April 17, 1996
4. Additions to IDA Resources: Twelfth Replenishment
A Partnership for Poverty Reduction
IDA/R98-195, December 23, 1998
5. Additions to IDA Resources: Thirteenth Replenishment
Supporting Poverty Reduction Strategies
IDA/R2002-0136, July 25, 2002
6. Summary of Board discussions, January 30, 1990
SD90-3
7. Summary of Board discussions, December 22, 1992
SD92-82
8. Summary of Board discussions, May 2, 1996
SD96-28
9. Summary of Board discussions, January 12, 1999
SD99-2
10. Summary of Board discussions, July 25, 2002
SD2002-0046
11. IDA's Partnership for Poverty Reduction (FY94-00)
An Independent Evaluation
OED, May 1, 2001
12. IDA 10-12 Replenishment Undertakings Implementation Matrix
IDA/SecM2001-0307, OED, May 1, 2001
13. IDA Results Measurement System: Progress and Proposals
IDA IDA Staff, April 3, 2003
14. Issues Note: Enhancing the Voice of Developing and Transition Countries at the
World Bank
SecM2003-0263, June 23, 2003

**Excerpt from IDA's Partnership for Poverty Reduction (FY94-00)
OED Evaluation– May 1, 2001**

8. Implications for the Future

8.1 While implementation of replenishment undertakings has moved the IDA program in the right direction, IDA and its partners have not yet fully institutionalized the changes nor absorbed fully the lessons of experience. What is needed now is to deepen and broaden the gains from the existing policy framework by:

- Focusing on the implementation in areas of emphasis.
- Aligning resources to strategic priorities.
- Consolidating the IDA mandates.

8.2 For this, IDA will need to further adjust its role at country and global levels, within the limitations set by resources available for administrative costs, lending, and nonlending services. In its primary role of supporting country-based development efforts, IDA should concentrate on its areas of comparative advantage, most of them at the strategic level of supporting economy-wide, sector-wide, and government-wide reforms through analytical work and lending, and on capacity-building. IDA should also play a more active role at the global level to facilitate the harmonization and coordination of external assistance needed to speed progress toward the overarching goal of poverty reduction.

8.3 More specifically, IDA could build on improvements of the past seven years in the following ways:

- **Be more selective.** Although there is consensus on this point, more needs to be done to increase IDA's country, program, and corporate selectivity.
 - Country selectivity. IDA's performance-based allocation system has brought increased selectivity to the allocation of resources at the country-level, based on assessments of the soundness of countries' policies and institutional arrangements. Further advances could be made by continuing to improve the Country Policy and Institutional Assessment (CPIA), rethinking the governance discount, and ensuring consistency with the PRSP and CAS processes. Also, broader disclosure of the rating system would improve consistency of treatment and allow the system to benefit from open scrutiny and to serve as a diagnostic tool for strengthening development partnerships.
 - Program selectivity. Countries poverty reduction strategies provide a new way of setting priorities for IDA and other donor country assistance programs. More effective program selectivity and instrument choice depends in part on better integration of strengthened sector strategies into CASs. This should help IDA define the focus of its lending and nonlending services -including where to take a leading or a supporting role with other donors-and its choice of instruments.

- Corporate selectivity. IDA needs to clarify priorities and objectives by sectors and themes and identify more precisely what it can (and cannot) commit to do, selecting the highest payoff interventions for advancing poverty reduction, based on its comparative advantage. This corporate level selectivity needs to be established in concert with the strategic decisions of other agencies, as part of a broadened harmonization action plan.

IDA quantitative lending targets for sectors, instruments, or groups of countries are disincentives for effective program and country selectivity.

- **Focus on governance and capacity building.** Every area of this review highlights the centrality of good governance. IDA should continue to intensify its support of effective governance and public sector capacity building, increasing its coordination with other external assistance agencies, to encourage borrower governments to become more efficient in their provision of public goods and services and more transparent and accountable to their publics.
 - Every aspect of IDA's assistance, from analytical work, to design and supervision of operations and monitoring for results should have a capacity-building dimension. The implications for time, costs, and adjustments in ways of doing business mean that IDA may need to consider options for expanded grant financing for nonlending services and for much greater coordination with grant-giving agencies in support of : capacity building.
 - The sectoral impacts of systemic governance and institutional weaknesses in borrower countries suggest the need for institutional development strategies that identify cross sectoral concerns, prioritize areas of assistance, and create synergies in the handling of problems in different sectoral programs.
 - While the governance agenda set out in the IDA10-12 replenishment reports remains , valid, recent experience suggests that IDA, its borrowers, and other development partners need to make a special commitment to improving countries' public expenditure management and financial accountability. This review recommends that IDA link its future lending to time-bound plans for establishing sound public financial accountability systems. To foster that accountability, IDA should also: encourage greater transparency by requiring that agencies and programs supported by IDA issue regular public reports that set and record progress on performance targets.
- **Commit to development partnerships.** IDA should work actively at country and global levels to move aid coordination processes from ad hoc to structured arrangements.
 - The PRSP process provides a concrete way of applying the CDF principles in support of countries' development strategies. Institutionalizing this support, in coordination with the IMP and other assistance agencies, should define the core of IDA's future program. The phasing in of the new Poverty Reduction Strategy Credits in step with countries' capacities for effective use and monitoring should be handled with care given its strategic relevance.
 - Expanded use of sector-wide approaches should be a building block of IDA support for countries' development efforts, taking into account lessons of recent experience on how to use these results-oriented approaches in support of country-owned programs. Where other agencies are better positioned than IDA to take the lead,

IDA analytical work and or lending may still be needed. As necessary, internal project and procurement procedures should be adjusted to enable flexible participation in structured aid coordination arrangements.

- IDA deputies should use IDA to achieve greater coherence and harmonization in aid practices that is so long overdue. This initiative should involve the heads of bilateral and multilateral assistance agencies and should set a clear schedule for achieving results. The global agenda should go beyond procedural issues—as important as they are—to policy and strategic issues of program and country selectivity and the processes for bolstering country-led aid management.

- **Clarify objectives and strengthen accountabilities.**

- The process introduced in IDA12 for tracking implementation of IDA commitments should be maintained and strengthened. Clear guidelines on compliance should be provided to staff at the start of the replenishment period, and regional management should be responsible for tracking country coverage of relevant commitments, taking account of countries' priorities and activities by others.
- Clearer objectives and guidelines are needed in the pursuit of the IDA policy framework, especially for “private sector development and the mainstreaming of gender and environmental sustainability in IDA activities. Networks need to devise clear and achievable aims and indicators, strengthen their involvement in key sectors, and track mainstreaming in country programs. Regional management needs to ensure adequate treatment in CASs, reflecting appropriate selectivity. QAG and OED reviews ought to give more attention to mainstreaming.
- Recent internal recommendations for strengthening monitoring and evaluation should be followed up to underpin a focus on results, especially at the country and sector levels, with attention to improving capacities in borrowing countries. Of particular immediate importance is the development of processes for evaluating performance and tracking progress on PRSPs and the supporting PRSCs and wider CAS programs.
- **Better align resources with priorities.** A better deployment of resources relative to IDA commitments is essential to applying the other lessons of the past seven years. The relation between the budget process and the full funding of CASs is of particular importance.
 - To make poverty a more prominent factor in the Bank's budget allocation process, a country-norm methodology has recently been applied as a supplementary measure. Resolving methodological and policy issues holding up the move to full country norm based budgeting would support the Bank's overall emphasis on poverty and performance.
 - Recent efforts toward more realistic costing of CASs should be accompanied by a process for ensuring full funding of Board-discussed CASs across their two to three year time frame. This year's preparation of a three-year rolling budget is a step in this direction.
 - Ways need to be found to ensure appropriate levels of due diligence and program-specific economic and sector work and greater attention to capacity building. Options for grant financing for capacity building activities need to be explored.

8.4 This review also suggests that the IDA replenishment process itself might usefully be re-examined to facilitate reforms in the overall development architecture. The process provides a unique opportunity to discuss, at a global level, past experience and future directions for

international development assistance and to mobilize funding in support of key objectives and to evaluate the development effectiveness of the overall aid system. As currently constituted, the process falls short of fully realizing this potential.

8.5 Though broadly consistent with an evolving consensus in the international development community, the replenishment undertakings have been both over-loaded and over-determined (for example, in the specification of shares of lending going to individual sectors and countries, and in the number and detail of the recommendations). Undertakings have often been unrealistic about what IDA and its borrowers could reasonably accomplish in three-year periods, have focused more on inputs than results, have neglected to consider IDA budget resources, and have failed to consider the implications for the overall development assistance business.

8.6 Specifically, the replenishment process has been too disconnected from IDA's development partners—both borrowers and other assistance agencies—so that priorities have not always been as relevant as they might have been and IDA's comparative advantage has not been sufficiently emphasized in the agreed undertakings. Three changes could improve the process and thus the impact of future undertakings.

- Develop a longer-term vision, focused on results. As part of the IDA13 negotiations, the IDA deputies ought to ask management to develop, in consultation with borrowers, a long-term vision for IDA beyond the replenishment period. This vision ought to clarify what is meant by IDA's poverty focus, identify how IDA's resources can best be deployed, set up an internal management system, and consider IDA's global role as a complement to its support for country programs.
- Engage developing countries in setting and reviewing replenishment commitments. Opening communication channels that allow for interaction and feedback from country experiences will help to set IDA priorities and improve implementation. The consultation steps taken in the IDA12 negotiations were a start. The transparent and consultative process planned for the IDA13 negotiation—including consultations with borrower governments and civil society and the posting of papers on an IDA web-site—is a solid second step. Following the negotiations, IDA should consider ways to ensure continuous feedback and to engage its partners in the monitoring and evaluation of IDA13 performance and results.
- Define commitments in terms of monitorable and achievable objectives and take account of their realistic costing. IDA replenishment undertakings have tended to emphasize inputs and output targets that do not take account of the need for country ownership if reform efforts are to be sustained. It would be better for replenishment reports to focus on development goals and on identifying the kinds of activities that IDA should support in advancing those goals, as a matter of priority, taking account of IDA's comparative advantage and realistic costings of replenishment commitments. In addition, replenishment reports ought to agree on IDA performance indicators and on objective reporting on progress towards desired outcomes. This process needs to recognize that operating within CDF principles means moving even further away from a direct measure of the link between IDA activities and country development outcomes to new ways of tracking IDA's performance in partnership with others. One way to facilitate this is to strengthen the role of sector strategies in defining IDA's comparative advantage and the objectives to which IDA would commit itself—in terms of program strategy, targets, and deployment of resources—as the basis for commitments agreed to in IDA negotiations, subject to overall resource availabilities.

Increasing Detail in Replenishment Reports in IDA10-13

	IDA 9	IDA 10	IDA 11*	IDA 12	IDA 13
Total Pages	37	47	33+30*	60	85
Main Text	16	27	29	32	38
Annexes - Number	3	3	4	6	7
Annexes - Pages	21	20	34*	28	47
Action Plan	N	N	N	Annex D	Annex 3
AP Pages				5	8
AP Recommendations				43	60

* IDA 11 Report includes Interim Trust Fund and 1984 Special fund

Terms of Reference for IDA Borrower Representatives

Background

IDA Deputies are representatives of donor countries who are interested in contributing to IDA's resources. Forty IDA Deputies participated in the last round of IDA replenishment discussions, IDA13. Most come from the Ministries of Finance and Foreign Affairs of their respective Governments.

Replenishment discussions are conducted every three years and usually consist of four to six meetings over about a year. The meetings typically involve discussions of financing requirements for IDA and policy guidance for the use of IDA resources. The Deputies also meet for a Mid-Term Review of activities being funded by the current replenishment.

Borrower Representatives

For IDA13, Deputies decided to open up the replenishment process more fully. This included the appointment of six Borrower Representatives to take part in Deputies deliberations (two from Africa; one from South Asia; one from East Asia/Pacific; one from Latin America/the Caribbean; one from Europe/Central Asia). The role of the Borrower Representatives is to provide a Borrower perspective to IDA discussions. IDA Deputies are very appreciative of hearing this perspective as they formulate their recommendations on IDA policies.

In IDA13, Borrower Representatives participated primarily in policy discussions, but in future, in the light of experience, it may be better for Borrower Representatives to participate in most if not all Deputies' discussions (which include IDA financing and financial management matters as well as policy).

Following the suggestion of Executive Directors, a decision was made to expand the number of Borrower Representatives to seven in IDA14. In order to reflect fully the diversity of IDA Borrowers, a representative from MNA has been added. In the same context, to facilitate consistent attendance at the meetings, a system of alternates was introduced. As such, an Alternate may be appointed for each Borrower Representative - except MNA, which represents only two IDA Borrowers. Alternates represent the region at meetings if the representative is unavailable. They may also attend meetings in an observer capacity when the representative is present, to maintain continuity. But only one representative for each of the six regions can sit at the table and speak at a given meeting.

Main Functions and Approach

The main function of Borrower Representatives is to represent the views and interests of IDA recipient countries in their respective regions in Deputies' discussions.

This will require:

- Consulting with their IDA Board constituencies (see below).
- Seeking the views of governments of the region on key issues under discussion, and consulting more widely as appropriate.
- Familiarising themselves with the substantive issues under discussion at each meeting.
- Attendance at all Deputies' meetings as far as possible – with alternates available as a fall-back.

The Link with IDA's Executive Directors

Borrower Representatives will liaise closely with Executive Directors and EDs' staff who represent IDA recipient countries on the IDA Board. For recipient sole constituencies the Executive Director and alternate will be the counter-parties for the borrower representative. In the case of mixed constituencies, those Alternates or Advisers who come from recipient countries will perform this function. A "Board constituency" will be constituted from these individuals for the replenishment.

Borrower Representatives should meet with their "Board constituencies":

- Before the beginning of each replenishment, to discuss key concerns of the constituency and the selection of themes for the replenishment.
- As appropriate (perhaps two to three times) in the course of negotiations to discuss progress and lines to be taken as the discussions evolve.

In addition, Borrower Representatives will correspond with their Board constituencies in advance of each meeting and briefly report on main concerns for the constituency after each meeting.

Wider Consultations

In order to reflect a broad range of views within their region, Borrower Representatives should where possible seek:

To meet the relevant senior government representatives of their regions collectively – this could be possible at the Annual Meetings of the World Bank or the Regional Development Bank for the region, or at other regional gatherings;

To meet with representatives of the Private Sector/Civil Society within their regions. One possibility to be investigated with IDA Management is to take advantage of a Deputies' meeting in their region – there is likely to be one meeting in Africa and one in Asia during IDA14 – to organise one or more workshops or seminars on key themes for the replenishment and invite a cross-section of opinion leaders from the private/voluntary sectors.

Selection and Capabilities

Borrower Representatives are normally senior present or retired government officials from IDA recipient countries. They should have:

- Extensive experience of development policies and practice in their own countries.
- Exposure to international discussions/negotiations.
- A good level of familiarity with IDA policies and operations domestically and/or internationally.
- Good communication skills in one of the working languages for the replenishment (English and French).

Nominations for Borrower Representatives will be sought by recipient constituencies of the IDA Board, with the support and advice of IDA Management, before the beginning of each replenishment. On the basis of comments by Management they will then be considered and agreed by a committee consisting of all recipient country Board representatives, with the FRM Director as Secretary.

Budget and Time Allocation

Performing these tasks over a replenishment period – normally about a year – will require the allocation of significant time by Borrower Representatives – probably not less than 25 days, including travel time.

A reasonable budget will be provided by IDA to meet travel expenses. This will allow some three visits to Washington and two visits in the region. Representatives are also encouraged to work with the Executive Directors to participate in constituent consultations organized by their offices.

Additional expenses, for example for organisation/preparation of workshops, agendas and issues papers, may be provided from Trust Fund Resources – either from Board recipient constituency Trust Funds or from a multi-donor Trust Fund set up for the purpose.

Outline Schedule of Events

November 2003 -December 2003

Borrower Representatives are confirmed.

Management seek proposals from Deputies on candidates for special themes. The views of the Borrower Representatives (consulting with their Board constituencies, see below), and of Management are fed in, and the findings of OED's evaluations of IDA's effectiveness are taken into account.

January-February 2004

Short list of themes drawn up and further consultations with Deputies take place by phone, visits. Options paper prepared for decision by Deputies.

Borrower Representatives hold first meeting with their Board constituencies in Washington on special theme selection and prospects/priorities for the replenishment, and discuss/agree a schedule for future meetings.

February/March 2004

First meeting of IDA 14. Chairman makes proposal for choice of themes - three or four themes for a given replenishment. Themes agreed.

Part 1 of report drafted. Public website set up for replenishment.

April/May

RDB Annual Meetings. Possible BR meetings with Regional Ministers present at meetings. LAC/ECA BRs may want to hold seminars with Private Sector/Civil Society in the margins.

May/June 2004

Second meeting, focussing on [two] of the selected themes (plus some financial issues: first IDA 14 demand analysis, prospects for reflows, eg) held in Africa [Asia]. 3 days including an "Addis model" day. Note to Deputies on electronic consultation with Southern Civil Society.

Back to back before the meeting, BRs/Board constituencies hold

- A seminar with African [Asian] private sector representatives on themes of relevance to them.
- And/or a workshop with representatives of African [Asian] Civil Society.

Questionnaire sent out by IDA staff to Southern CS.

September 2004

Third IDA 14 meeting, taking the other themes and other financial items, held in an Asian [African] recipient member country, also three days including an “Addis day”.

Asian BRs/Board Constituencies hold similar meetings to the African [Asian] ones above.

Results of electronic consultation with SCS summarised by staff and reported to Deputies.

First full draft of report, including first draft of part 2.

September/October

Bank/Fund AMs present a further opportunity for BRs to consult with Board Constituencies and recipient Governors/Ministers, possibly in constituency meetings usually held on these occasions.

November/December

Fourth (Final) IDA 14 meeting.

January/February 2005

Replenishment report to Executive Board.