



IDA14

IDA14 Replenishment Priorities

Proposed Special Themes

International Development Association

February 2004

I. Introduction

1. This note sets out the suggestions for special themes for the IDA14 replenishment negotiations that have been received from Deputies. This serves as an introduction to the discussion on special themes, scheduled for the morning of Friday, February 20, 2004. Written suggestions (attached in Annex 1) were received from Australia, Denmark, France, Italy, Germany, Japan, the Netherlands, Saudi Arabia, Switzerland, the United Kingdom and the United States. IDA Management also received suggestions through informal consultations.

2. There was a fair amount of overlap in the suggestions made, with many clustering around themes that emerged but were not fully resolved during the IDA13 negotiations. They include financing terms including grants, the results agenda, and debt distress/debt sustainability issues. Others include those linked to country growth strategies, how IDA can more effectively support private sector development, how it can work more effectively at the country-level, and how to define its role in the global aid architecture. Please note that to facilitate the task of prioritizing and selecting the special themes, IDA Management has tried to group related suggestions, such as financing terms, which includes the issues of both grants and hardened terms, and the private sector, which includes support for public/private partnership, and to enlarge on them where this was thought to be helpful.

II. Proposed Special Themes

- **Financing terms:** Topics proposed under this theme include:
 - the level, uses and cost of grants in IDA14;
 - hardened terms for some categories of borrowers; and
 - a review of IDA's approach to graduation,
- **Debt sustainability:** Topics proposed under this theme include:
 - how IDA would incorporate recent work on debt sustainability into its policy, lending and allocation frameworks;
 - how IDA can help recipient countries deal with vulnerabilities such as external shocks; and
 - innovative IDA mechanisms to improve risk and debt management.
- **Multilateral development architecture:** The Monterrey conference and its follow-up in ECOSOC have resulted in an intense debate on the multilateral development architecture, in which the role of IDA has figured prominently. Topics proposed under this theme include:
 - how to define the role of IDA in the global development architecture;
 - the division of labor between IDA and the other MDBs and the UN; and
 - harmonization of policies and procedures.

- **Attainment of Millennium Development Goals:** The international community is strongly committed to attaining the MDGs by 2015. This topic would examine what more IDA could do to help borrowers make progress towards these goals.
- **Country growth strategies:** The growth rates of many IDA borrowers are too low to achieve the Millennium Development Goals. Topics proposed under this theme include how IDA could further promote and support:
 - sustainable country-specific growth strategies in recipient countries;
 - diversification of low-income economies;
 - the private sector (see below);
 - regional initiatives;
 - facilities for minimizing financial risks; and
 - alternative macroeconomic policy options linked to the Poverty Reduction Strategy process.
- **IDA support for the private sector:** The private sector plays a crucial role in achieving growth and reducing poverty. Topics proposed under this theme include how IDA could facilitate private sector-led development, including through:
 - a significant enrichment of the relationship between IDA and the IFC;
 - increased attention to Small and Medium Enterprises (SMEs) development;
 - support for better regulatory environments and investment climates;
 - support for bilateral and multilateral private sector activities and regional initiatives; and
 - development private/public partnerships, especially with respect to the provision of infrastructure.
- **Effectiveness and results-based management:** Building on the agreements reached during IDA13, and the framework agreed with Deputies in April 2003, this theme could focus on finalizing the cross-country and country-specific features of a transparent results-measurement system to be implemented in IDA14. Topics suggested include:
 - selection of outcome indicators to monitor aggregate progress;
 - how to apply the knowledge gained from collecting and analyzing results;
 - how IDA can align results indicators with the CPIA;
 - setting a realistic timeline for implementation of a results-based system; and
 - mainstreaming of results-based CASs that address the issue of statistical capacity for all IDA countries
- **Ownership of recipient countries:** Topics proposed under this theme include how IDA could:
 - strengthen country ownership of the Poverty Reduction Strategy process;
 - better integrate recipient countries into IDA's decision processes; and

- make better use of local know-how in the planning and implementation of IDA programs.
- **Working with others/Donor coordination:** Topics proposed under this theme include:
 - how to strengthen cooperation and coordination between IDA and other multilateral and bilateral institutions;
 - how IDA donors can leverage their positions as bilateral donors and members of other multilateral institutions to further such cooperation (e.g. through harmonization of procedures and programs);
 - an elaboration of IDA's wider role in helping to develop the second generation of PRSPs; and
 - options for speeding up progress on decentralization.
- **Governance/corruption:** Good governance is critical to aid effectiveness. This topic would explore what more IDA can do to help countries move towards good governance based on transparency and sound financial management.
- **Support for Low-Income Countries Under Stress (LICUS):** LICUS comprise a substantial proportion of IDA eligible countries and their needs and circumstances warrant different IDA support strategies. Noting the recent work and initiatives IDA has taken with respect to LICUS, this discussion would examine how to take this work forward.