

FREQUENTLY ASKED QUESTIONS

1. What will IDA21 focus on?

The IDA21 replenishment is happening in the context of an evolving World Bank, which has embraced a widened vision and emphasizes serving countries with greater impact. In line with this, the proposed overarching theme for IDA21 is "Ending Poverty on a Livable Planet: Delivering Impact with Urgency and Ambition." To achieve this, the proposed policy framework encompasses five focus areas: People, Planet, Prosperity, Digitalization, and Infrastructure; and four lenses: Gender Equality, More and Better Jobs, Better Lives for People in Fragility, Conflict, and Violence (FCV), and More Private Investments. The full policy package is being developed through IDA21 Replenishment Meetings and will be finalized in December 2024.

2. Apart from the new vision and mission, what are the other World Bank reforms to become a Better Bank and how will they impact IDA?

Since the Evolution process started a year ago, we have been making progress in becoming a Better Bank that is fit to meet the most pressing needs of people and the planet. We adopted a **new vision:** to create a world free of poverty on a livable planet, with a **new mission:** to end extreme poverty and boost shared prosperity on a livable planet.

To fulfill these aspirations, we are implementing a new playbook to provide solutions to support country priorities, address global challenges through our country programming, and drive development with speed, scale, and impact without sacrificing our commitments to environmental and social standards.

We are also adopting a **new scorecard** that will monitor the collective results from all World Bank Group institutions. The centerpiece of this scorecard will be 22 indicators that will show the progress of our work in the most critical development areas like access to electricity, clean drinking water, quality of education, and food security. These results indicators take a 'people-centered' approach, focusing on improvements in the *well-being of people* in client countries. With an enhanced focus on outcomes and results-driven narratives, the scorecard builds in greater transparency for accountability, so it will be clear who is benefitting, where those benefits are being realized, and how they are being achieved.

IDA is also becoming simpler, better, and faster. These reforms will enhance operations and outputs for our clients but allow IDA to continue to focus on the major challenges of our time—helping poor countries to lift people out of poverty; protect them from climate change, pandemics, and fragility; and boost economic growth to create jobs and prosperity. The SimplifIDA initiative will also look to reduce complexity while keeping an outcome focus on IDA's policy and financing architecture, its processes to access funds, and the implementation of some of its policies such as the Sustainable Development Finance Policy.

IDA is also strengthening partnerships with multilateral and bilateral agencies, national institutions, the private sector, and civil society for the benefit of client countries.

3. What is the objective of these engagements with civil society?

In response to one outcome of the Evolution process, IDA is working to deepen partnerships with other organizations to maximize the impact of our playbook. That includes civil society, especially at the country and regional levels.

IDA hosts a forum with civil society organizations at the Spring and Annual Meetings. These offer a platform for Bank management and representatives from IDA's donor and client countries to directly hear perspectives from civil society organizations that are focused on IDA countries. This year we are expanding the dialogue to the regional level, building on the positive experience of the Evolution regional civil society engagements.

During this year's IDA Forums, the Bank is sharing updates on the Evolution process and IDA21 strategic directions. Mostly, however, the Bank is in listening mode. The main views expressed during these events will be shared with IDA's donor and borrower representatives at the June and October replenishment meetings. The intention is to promote a stronger mutual understanding through regular dialogue at the regional level, for greater complementarity of efforts over time and ultimately, greater development impact. Like the Consultations on the World Bank's Evolution Process, a report capturing the main messages from these engagements will be made public.

Global and regional civil society organizations also have many other possible contact points with IDA's donor and borrower representatives—with whom many have regular dialog mechanisms.

4. What is the dollar target for the IDA21 replenishment and when will these resources be available?

Bank management is working on a range of IDA21 financing scenarios for discussion with IDA's donor and borrower representatives at the third replenishment meeting in June. The target, or a narrow range of the scenarios, for the pledging session is typically agreed upon at the fourth replenishment meeting in October. IDA21 resources will be available for commitments for a three-year period starting July 1, 2025 through June 30, 2028.

5. How will the IDA21 resources be allocated per region or country?

The PBA strategically allocates unearmarked resources based on countries' financing needs and such factors as countries' performance in implementing policies that promote economic growth and poverty reduction. IDA will continue to provide special support for countries affected by fragility, conflict, and violence, and utilize windows to provide additional resources specific to key thematic priorities, such as crisis response, addressing regional challenges, and providing blended finance for private sector investments in IDA countries, among others.

6. Will there be any changes to concessionality in IDA21?

The IDA Grant Allocation Framework tailors concessionality to countries that need it the most, fairly and transparently. The framework is based on countries' income levels, risk of debt distress, and other vulnerabilities like conflict and the Small States Exception. Currently, more than half of

IDA countries receive all or half of their IDA resources on grant terms, which carry no repayments at all. IDA relies heavily on donor contributions to provide concessional financing, including grants. The higher these contributions, the more IDA can offer concessional financing. A strong IDA21 replenishment is thus essential.

7. How does IDA protect client countries from worsening their debt burdens?

We are deeply concerned about the increased debt servicing burdens facing many IDA countries, as elevated interest rates, weak global growth, and multiple global challenges make repayment harder. IDA remains the largest source of sustainable and concessional financing for low-income countries. It provides strong net positive flows to countries—with more than \$17 billion in net financing in fiscal year 2023 alone. IDA also provides countries with highly concessional financing, including grants, thereby providing an implicit ex-ante debt relief.

IDA adjusts its terms proactively to prevent, as much as feasible, the materialization of a debt crisis. Through its Grant Allocation Framework, IDA calibrates its financing terms based on countries' income levels, vulnerabilities, and risk of debt distress. For IDA20, countries in debt distress or high risk of debt distress receive 100 percent grants, compared to 100 percent credits for those with a moderate or low risk of debt distress. IDA is also implementing the <u>Sustainable Development Finance Policy</u> designed to incentivize and support countries to move towards transparent, sustainable financing and to promote coordination among creditors.

8. How can civil society organizations work with IDA?

IDA works with a range of partners—including borrower governments, United Nations Organizations, civil society organizations, and the private sector—while working within the bilateral and multilateral systems. IDA is committed to strengthening our engagement with all these partners, recognizing that these partnerships are critical to IDA's impact and that each has a complementary role to play, country by country.

In working with these partners, IDA is fundamentally a country-led model that funds and works through governments wherever possible. This puts countries in the driver's seat of their development, strengthens their capacity, and reduces aid fragmentation and transaction costs.

Civil society organizations (CSOs) remain important and valued Bank and client partners for knowledge, advocacy, and in operations. They provide feedback on country activities during different stages of planning and implementation. They may be financed under Bank projects or under the Advisory Services and Analytics stream of work to carry out specific activities, such as studies and training. Using IDA funding, governments can work through CSOs or non-governmental organizations (NGOs) for project implementation, including service delivery or community-driven development activities. Indirect IDA funding to NGOs through governments amounted to more than \$800 million in contracts between FY2019 through FY2023.

In exceptional circumstances, where it is not possible to work through governments, IDA may deliver projects through third-party implementers. This mainly flows through United Nations Organizations, although in some cases the best counterpart has been an International Non-Governmental Organization (INGO). Oftentimes these organizations work through CSOs or NGOs with the IDA funding. Nearly \$8.6 billion was contracted to United Nations Organizations and CSOs for third-party implementation in fragile and conflict-affected situations between FY2016 through FY2023, mostly in IDA countries, of which CSOs received \$203.8 million.

The World Bank also contracts directly with CSOs. The Global Partnership for Social Accountability (GPSA) is one such program that helps to bridge the accountability gap between citizens and governments. In its first phase, it used citizen feedback to solve service delivery problems and strengthen the performance of public institutions. We are currently revamping this program to provide greater and more flexible financing to CSOs.

9. How does IDA work with other funds?

Aid effectiveness is important to get the most impact from limited donor resources. Co-financing is one way to reduce transaction costs for clients.