

IDA21 Second Replenishment Meeting
Co-Chair's Summary
Washington, DC. — April 21, 2024
For Publication

A. Introduction:

1. **IDA Deputies and Borrower Representatives (Participants) held the second meeting of the IDA21 Replenishment on April 21, 2024 in Washington, D.C.** The Participants considered debt vulnerabilities in IDA countries, conducted the annual review of the implementation of IDA's Sustainable Development Finance Policy (SDFP), and provided feedback to Management on options for allocating concessionality in IDA21. Participants also discussed Management's approach to simplifying IDA implementation in IDA21 and heard updates on plans for the third meeting in Kathmandu, Nepal.

2. **The replenishment is co-chaired by the World Bank's Senior Managing Director and the Independent Co-chair appointed in December 2023.** The Co-chairs opened the meeting, emphasizing the importance of balancing continued attention to sustainable debt with the demand for concessional finance and the need to protect IDA's long-term financial viability. The World Bank's **Vice President for Prosperity** discussed historically high debt levels in IDA countries. He observed that structural solutions to debt vulnerabilities include increasing domestic revenue mobilization and economic growth and should be accompanied by multifaceted support from international partners, comprising a mix of analytics, technical support, policy dialogue, convening and coordinating power, and financial support. During a panel discussion moderated by the World Bank's **Vice President for External and Corporate Relations, the Managing Director of Operations, Managing Director and Chief Financial Officer, and Senior Managing Director of Development Policy and Partnerships** reflected on how World Bank Group (WBG) Evolution priorities discussed during the 2024 Spring Meetings are interrelated with IDA21 priorities.

B. Sustainable Development Finance Policy:

3. **Participants commended the positive results of SDFP implementation to date and welcomed enhanced focus of SDFP Performance and Policy Actions (PPAs) on fiscal sustainability (including domestic revenue mobilization) and more complex debt management actions, while emphasizing the need to sustain a focus on debt transparency and continue expanding support to programmatic PPAs.** Participants encouraged continued technical support to IDA countries such as small states that face capacity challenges to ensure PPAs are implemented and suggested better integrating PPAs into the Bank's work (such as with lending operations, country partnership frameworks, the Corporate Scorecard, IDA policy commitments, and technical assistance) to support implementation of PPAs. Some Participants observed that the IDA21 Scorecard could support better reporting on institutional and capacity building on debt issues across cycles in the results narratives. Participants requested to see greater use of PPAs to enhance domestic resource mobilization (DRM), with some requesting to focus on progressive domestic resource mobilization specifically, and encouraged more use of PPAs to address domestic debt management. Participants also asked the Bank to integrate PPAs with operations, going beyond just Development Policy Operations. Participants also welcomed IDA's collaboration with the International Monetary Fund (IMF) on debt and domestic revenue

mobilization and asked that a joint World Bank-IMF paper on DRM currently under development be finalized before the third replenishment meeting in June.

4. **Participants took note of efforts through the SDFP Program of Creditor Outreach (PCO) and welcomed IDA's stock taking of PCO implementation experience.** Participants commended IDA's partnership with other multilateral development banks (MDBs) and encouraged exploring the possibility of joint MDB PPAs. They urged continuing to increase collaboration with other platforms including the Global Sovereign Debt Roundtable, the Paris Club and the G20's Common Framework for Debt Treatment, and continuing to expand outreach to, and engagement with, a wide array of lenders. One Participant emphasized that IDA21 should take an objective perspective in evaluating the implementation of the G20 Common Framework for Debt Treatment.

5. **Participants expressed support for Management's two policy proposals to improve SDFP implementation:**

- a. Participants supported a proposal to **allow mid-year revisions to PPAs** when necessary. Participants also suggested clearly spelling out the criteria for such revisions, emphasized the need for a rigorous review process to ensure the revisions do not alter the objectives or lower the ambition of reforms, and asked Management to ensure that revisions are transparently reported in the annual SDFP update along with the countries remaining under the purview of the SDFP Committee. Management affirmed the rigor of the review process will be sustained, and that details of PPA revisions will be presented in the annual SDFP Updates.
- b. Participants also supported the proposal to **shift from a negative to a positive incentive structure within the SDFP**, highlighting the need to ensure the policy continues to incentivize the implementation of reforms. Management observed that the change is expected to improve policy dialogue and country ownership without weakening SDFP incentive mechanisms. Management will consider this feedback as details of the financing mechanism are refined over the course of the IDA21 Replenishment.

6. Noting that in addition to changes proposed in the annual SDFP Update, Participants had also considered SDFP policy changes during the IDA20 Mid-Term Review (MTR), there was a call for Management to assess implementation of the policy as revised before proposing further changes. With regards to the moving decision-making for SDFP implementation to the regions, one Participant requested Management to define the allocation of roles and responsibilities between the SDFP Committee and the regions.

C. Grant Allocation Framework:

7. Management continues to explore all options to support a robust IDA21 replenishment, including how best to allocate grant resources under IDA21. No decisions were requested or made on this topic — instead, Management solicited preliminary views to shape ongoing analysis. **Participants acknowledged the importance of donor contributions and strong collaboration between Management, Donors, and Borrowers to strengthen the availability of grant financing in IDA21 and encouraged a cautious and balanced approach as Management**

considers options for allocating concessionality in IDA21. They urged strong collaboration with other multilateral development banks (MDBs) and the IMF, in particular the Poverty Reduction and Growth Trust (PRGT) on such discussions and requested to discuss the collaboration at the next meeting.

C. Simplification in IDA21

8. Participants' discussed Management's overview of the '*SimplifIDA*' concept for streamlining IDA21, initially launched at the IDA20 MTR. **Participants affirmed their continued support for the effort to ensure that IDA's rules and processes contribute to WBG-wide efforts to improve selectivity, speed, and impact without compromising quality, and underscored the importance of clearly articulating the value proposition offered by simplification measures in IDA21.**

9. While recognizing the potential benefits of such streamlining for IDA21 operations, Participants reiterated the importance of IDA's policy commitments, incentives, and a solid results measurement system to building a compelling case for an ambitious IDA21 replenishment. Some Participants underscored the value of policy commitments to track and measure IDA's performance. Some comments suggested incorporating the proposed organizational efficiency and effectiveness dashboard as a fifth building block of the IDA21 Scorecard. They encouraged Management to prioritize ensuring that IDA21's policy architecture supports impactful delivery, and to avoid focusing on a pre-set number of policy commitments.

- a. Participants suggested specific areas that they considered well-suited to policy commitments in IDA21, including in relation to jobs, infrastructure, digitalization fragility, prosperity, progressive DRM, private capital mobilization and institutional reform. Management took note of Participants' emphasis and confirmed that a select number of policy commitments will be proposed for discussion under each IDA21 Focus Area and Lens at the third replenishment meeting. These papers will also reflect on valuable insights from Borrower and Donor non-papers.
- b. Management affirmed its preference for select impactful policy commitments that complement the new WBG Scorecard. **At Participants' request, Management agreed to arrange advance technical briefings related to proposed policy commitments, as scheduling allows, prior to the third replenishment meeting.** Management also committed to updating Participants on progress developing the organizational efficiency and effectiveness dashboard as that work advances.

10. Management observed that the '*SimplifIDA*' initiative goes beyond the IDA21 policy framework to consider, based on lessons from implementation, how IDA processes can be simplified. It will also review how IDA windows, including window eligibility rules, can be aligned better with IDA's strategic objectives and reduce unnecessary barriers to access. Participants requested a comprehensive explanation of each IDA window, including their original purpose and the historic evolution.

11. Participants asked Management to ensure that simplification measures continue to be discussed and where applicable, endorsed by, IDA Participants, allowing sufficient time to

consider any complex proposals. They encouraged Management and Borrowers to continue providing concrete examples of challenges clients face in grappling with IDA's complexity, as a basis for identifying where simplification would be most helpful to discuss during the Replenishment and reflect in the IDA21 Deputies' Report.

D. Next Steps

12. The Co-chairs thanked Participants for the dialogue and valuable feedback that will inform preparations for the third replenishment meeting and discussions over the course of the replenishment, and affirmed Management's continuing commitment to ensure Participants receive meeting materials three weeks in advance. They also drew Participants' attention to upcoming events:

- a. Reiterating their appreciation for **Kenya as host of the IDA for Africa Heads of State Summit planned for April 29**, the Co-chairs wished the hosts great success for the event. *(Completed)*.
- b. The Co-chairs thanked the **Republic of Korea for its generous offer to host the final IDA21 replenishment meeting in December 2024**, at which time donors will make pledges to IDA21. The window for considering hosting offers will remain open for consultation until May 15, 2024, after which time Management will finalize the decision. *(Completed – Korea confirmed as host for the pledging session scheduled on December 5 - 6, 2024)*.
- c. Management reaffirmed that it will **endeavor to schedule a technical briefing on the proposed IDA21 policy commitments** in May. *(Completed – Management organized a virtual technical discussion to discuss details of the IDA21 Policy and Financing Framework from June 3 – 5, 2024)*.
- d. The **Borrower Representative from Nepal** offered Participants a preview of the third replenishment meeting and expressed that the Government of Nepal looks forward to welcoming Participants to Kathmandu from June 18-21, 2024. *(Completed – The Government of Nepal successfully hosted the IDA21 3rd Replenishment Meeting in Kathmandu from June 18 – 21, 2024)*.