Access to IDA Financing

UN Roundtable

November 29, 2022

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IDA Replenishment Process at a Glance

November

Review implementation and agree on mid-course corrections.
Launch of replenishment process

Mid-Term Review and Launch of Replenishment

March

Discuss the new replenishment cycle process and proposed overall strategic directions, special themes, and cross-cutting issues

1st Replenishment Meeting

June

Discuss the IDA cycle's Policy Package and Financing Framework

2nd Replenishment Meeting

October

Discuss the draft Deputies Report and finalize the Policy Framework and endorse the Financing Framework

3rd Replenishment Meeting

December

Finalize the Deputies Report and Pledging of Donor Contributions

4th Meeting and Pledging Session

Champions (including from partners like the UN) to advocate for a successful replenishment are identified and sought out during the process

IDA Replenishment

Partners meet every three years to replenish IDA resources and review its policy framework. Officials from donor governments ("IDA Deputies") and representatives of borrowing, member countries ("Borrower Representatives") participate in helping ensure that IDA's policy and financing frameworks are responsive to country needs.

Governance Arrangements

Before the start of the cycle, IDA Management works with donors in selecting and developing TORs for an external co-chair and a Set of Borrower Representatives

Board Approval and BoG Adoption

The Deputies Report summarizes the negotiations and is submitted to the Board for Approval and recommendation to IDA Governors. The IDA Resolution is adopted through mailing of votes 8 weeks after the Board Meeting.

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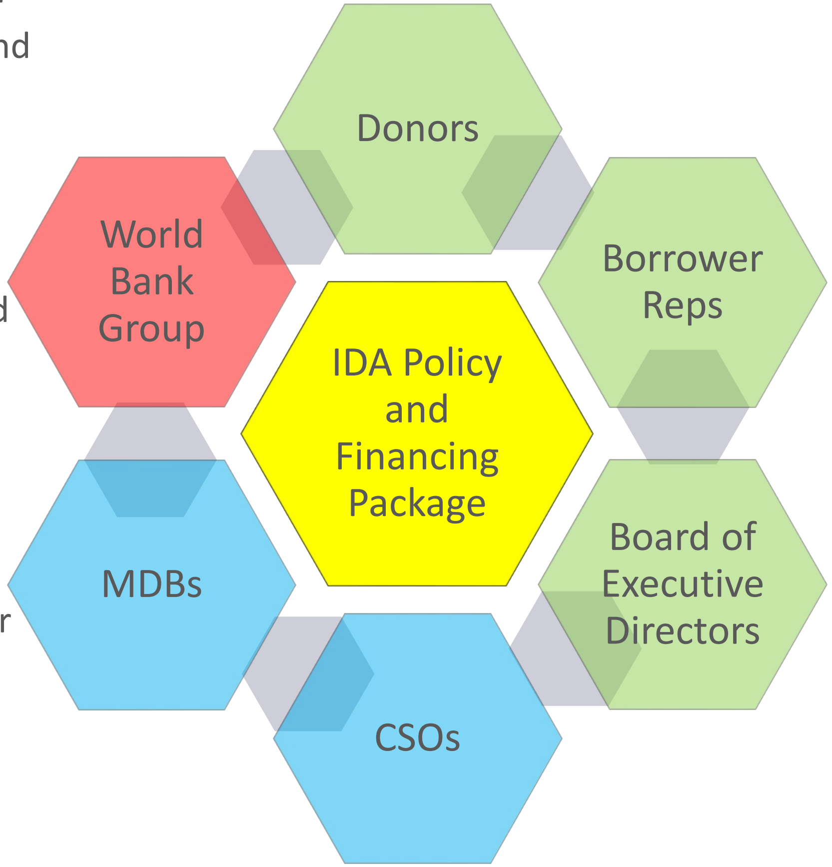
Consultation and Consensus Building

The agreements reached during each meeting is a product of extensive consultation with internal and external Stakeholders.

- **Donors** are consulted early on through different avenues. Bilateral Meetings, Briefing to **EU++ Advisors**, and Technical Briefings open to all Participants are organized to address concerns and clarify issues prior to Replenishment Meetings.
- A dedicated meeting with **Borrower Representatives** is held prior to allow more space in addressing any concerns of client countries and obtaining their support during the Replenishment Meeting.
- Informal briefings are offered to the **Board of Executive Directors** before the first meeting and in between each Replenishment Meeting, and eventually a formal Board Meeting to get Executive Directors' endorsement the final Deputies Report. IDA Papers are also submitted to the Board for information after they have been shared with IDA Participants.
- **CSOs** are consulted bilaterally throughout the process and as a group at the IDA CSO Forum organized in the margins of the Replenishment Meeting.
- **MDBs** are invited to IDA meetings as observers and consulted ad hoc on select issues together with **IMF** and **UN agencies**.
- Internally, **Regions, Global Practices, IFC, MIGA** are consulted extensively on IDA proposals, demand for IDA resources and IDA architecture.



IDA20 context:

Countries are facing high financing needs to recover and build back better

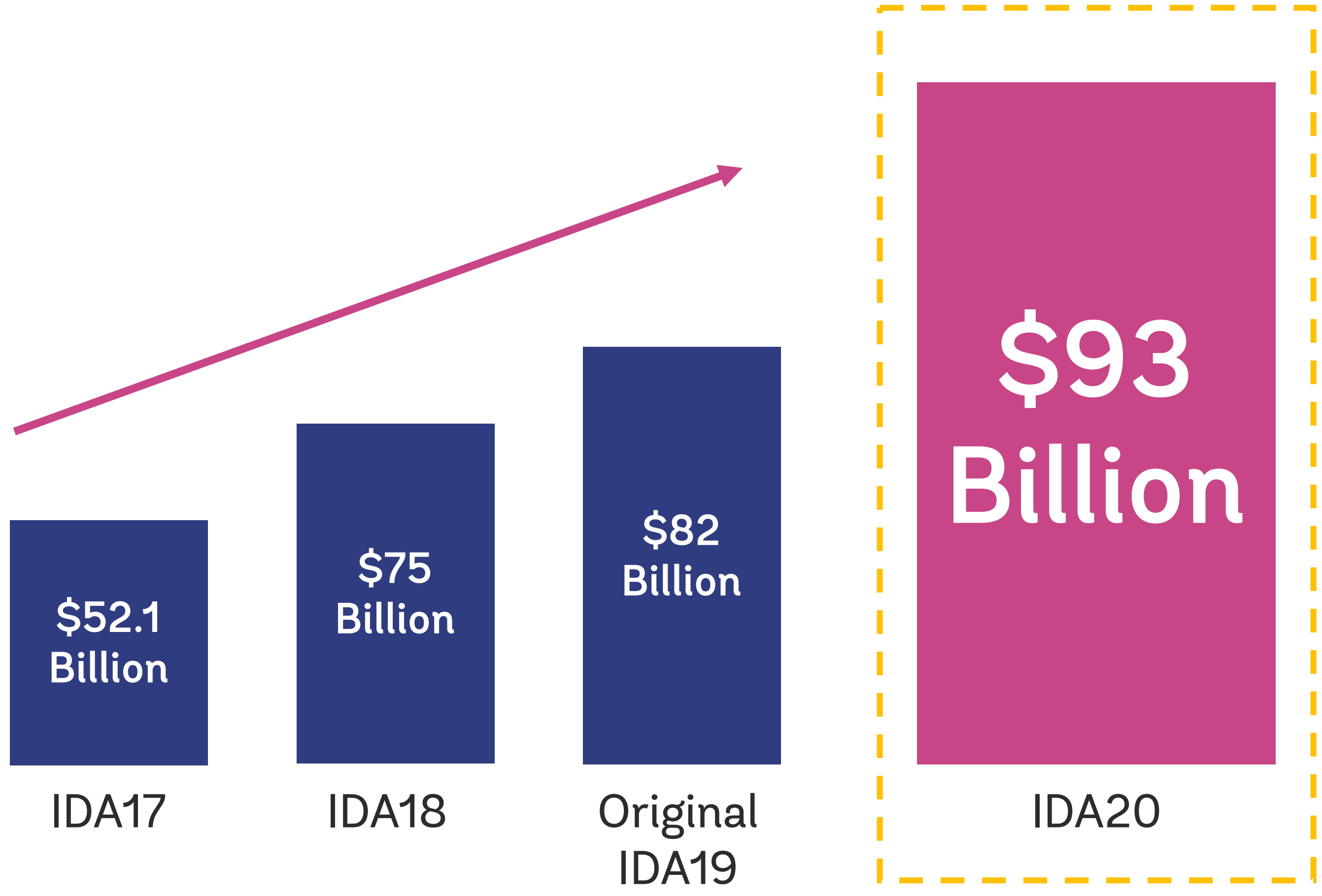
- Rising poverty rates due to COVID-19
  - 100m falling into poverty
  - 31% of these in IDA countries

- Reversed human capital outcomes
  - Likely decline in HCI
  - Up to 1 school year lost for children

- Rising climate risks
  - 130m to be pushed into poverty
  - Higher number of displacements due to rising natural disasters

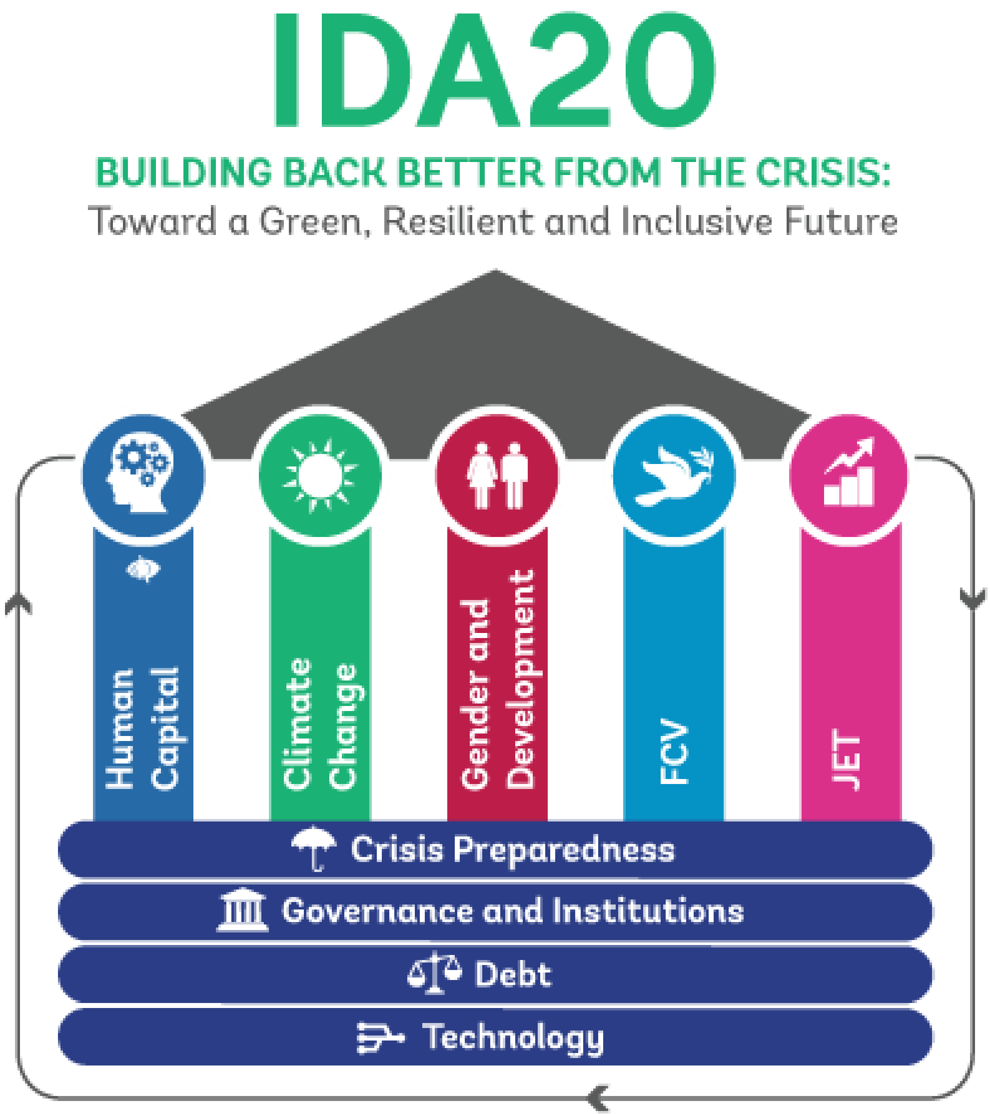
- Recovery is uneven
  - Over 2/3rds of IDA countries experiencing negative growth
  - IDA countries lagging in vaccination

A historic replenishment made possible thanks to significant efforts from IDA Donors and Countries



IDA20:
July 1, 2022 to
June 30, 2025

- ❑ Rolled out a year earlier
- ❑ Raised at a time when many donors are challenged with fiscal problems



Key features of the IDA20 policy and results framework

- ❑ 41 policy commitments; 3 years to deliver
- ❑ Less emphasis on studies and guidance; more focus on actions at the country level
- ❑ Sub-targets for FCS or low HCI countries
- ❑ Some PCs—on vaccines, climate, and crisis preparedness—apply to all countries
- ❑ New results indicators on vaccines, CCDRs, NBSAPs, disability, and crisis preparedness

Results: What $93B will deliver on the path to high-level outcomes

285 to 430m people receiving essential **health, nutrition and population services**
22m from Ethiopia, 15m from Togo

35 to 50m people provided with new/improved **electricity service**
2.1m from Ethiopia, 1m from Nigeria

13 to 20m people provided with improved **water sources**
3.1m from Ethiopia, 1.5m from Benin

6.5 to 7m farmers adopting improved **agricultural technology**
1.3m from Ethiopia, 1m from Congo, D.R.

75 to 375m beneficiaries of **social safety net programs**
57m from Nigeria, 8m from Ethiopia

80to 88m people provided with enhanced access to **broadband internet**
26m from Pakistan, 7.5m from Kenya

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IDA20 offers scaled-up financing in PBA and windows

IDA Country Allocations

Performance-Based Allocations

$54 billion

+

FCV Envelope (if eligible)

$8.8 billion

+

IDA Windows (if eligible)

Regional Window
$7.9 billion

Host Communities and Refugees
$2.4 billion

Crisis Response Window
$3.3 billion

Scale-Up Window
$14.4 billion

Private Sector Window
$2.5 billion

Concessional *Non-concessional*

The underlying Performance-Based Allocation (PBA) model stays as is

Performance

Country Performance Rating (CPR)

Country Performance Institutional Assessment (CPIA)

\+

Portfolio Performance Rating (PPR)

Needs

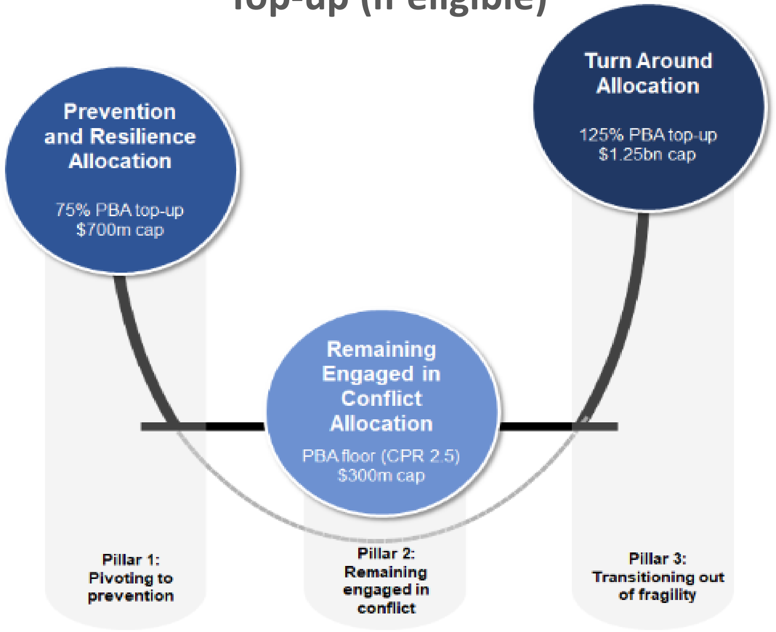
Population

GNI Per Capita

Base Allocation

\+

FCV Envelope Top-up (if eligible)



Adjustments to financing terms enable access to additional volumes to meet countries' heightened financing needs, while prioritizing grants for countries facing acute debt risks

Lending Group		Financing Terms* NEW	
	Risk of External Debt Distress	Non-Small States	Small States
IDA-only Countries	High Risk or in Debt Distress	• Grants	• Grants
IDA-only Countries	Moderate Risk	• 50-year credits (new) • 12-year concessional SMLs	• Half grants and half 40-year credits (small economy) • 12-year concessional SMLs
IDA-only Countries	Low Risk	• 38-year credits (regular) • 12-year concessional SMLs	• 40-year credits (small economy) • 12-year concessional SMLs
Gap Countries		• 30-year credits (blend) • 12-year concessional SMLs	• 40-year credits (small economy) • 12-year concessional SMLs**
Blend Countries			

Note:
**Some of the financing terms are adjusted under IDA Windows. This includes: (i) Softer terms for most country lending groups under the WHR, (ii) flexibility to adjust terms in case of natural disasters under the CRW, (iii) provisions to offer credits and grants to regional organizations under the RW, (iv) credits at IBRD terms and SMLs under the SUW, and (v) IFC and MIGA financing terms under PSW. Please refer to Windows implementation arrangements in the Annexes of the IDA20 Deputies Report for more details.*
*** Except for red light Small States.*

Transition to 50-year credits

NEW

	50-Year Credits
Financing terms	50-year final maturity, 10-year grace period, zero service charge
Grant element	73% (highly concessional)
Which countries	Yellow light IDA-only countries (excl. Small States)
Utilization	Flexible (all sectors, all instruments)
Resource allocation	At country level (~88% of PBA, rest as SMLs)
Timeline	IDA20 onwards

How do Shorter Maturity Loans work

Concessional financing offered as part of PBA and SUW

	Allocation Process	Flexibility: Sequencing/Front and Backloading	Sector and Instrument Choice
PBA-SML	Share of the Country Allocations will be: • about 24% for IDA-only Green/Gap/Blend * • about 12% for IDA-only Yellow • 0% for IDA-only Red	Countries flexibly manage their PBA-SML allocation, but are encouraged to utilize the resources within each respective FY**	All sectors and instruments (IPF, DPF, PforR) eligible per country's strategic priorities.
SUW-SML	Regional allocations in proportion to the share of Country Allocations of eligible countries	Regions flexibly manage allocated SUW-SML resources subject to country eligibility and caps.	Operations in line with one of the four pillars of the Global Crisis Response Framework All instruments (IPF, DPF, PforR) eligible for SUW-SML

**. Except for GAP/Blend Small States in debt distress or at high risk of debt distress.*
***. Any set-asides pursuant to the SDFP would be first taken from the country's PBA-SML.*

Impact of SMLs on debt sustainability was assessed in June 2021

Using **LIC DSF**, analysis carried out on **eight countries** selected based on **limited space to absorb shocks** – including **two FCS countries** - and **high level of SUW financing** (in % of GDP)

IDA-only yellow → All grants and regular IDA credits converted to 50-year credits
In IDA20, roughly 10 percent of credits are converted to SML*

IDA-only green / **IDA Blend and Gap** → Unchanged regular IDA and blend-terms financing

In IDA20, about 20 percent of regular (or blend) credits are converted to SMLs*

\+

SUW SMLs

- Additional SUW financing provided on SML terms
- SUW is used to replace less concessional external financing
- For Fiscal expansion, SUW is used to finance additional primary spending

Result: Introduction of SML terms is not expected to lead to changes in the external risk of debt distress classification of eligible IDA countries.

** - the percentages represent the average across proposed IDA20 financing scenarios*

Regional Window

Amount
US$7.9B (SDR 5.6B)
Purpose
Promoting regional solutions by "topping up" IDA country allocations for multi-country projects.

- **Eligibility:**
  - Minimum of two participating countries, at least one of which is IDA-eligible NEW
  - Can involve regional organizations
  - May be used for COVID-19 vaccine, therapeutics and diagnostics (VTD) operations if meets other criteria NEW
- **Instruments:**
  - Investment Project Financing (IPFs) and Development Policy Financing (DPFs)
- **Financing & terms:**
  - Countries typically contribute 1/3rd of project cost from their Country Allocation
  - Financing terms aligned with Country Allocations (excluding PBA-SMLs)

Crisis Response Window

Amount
US$3.3B (SDR 2.3B)
Purpose
To provide additional and predictable financing to IDA-eligible countries hit by crises

- **Eligibility:** IDA countries responding as last resort to the impact of natural disasters, economic crises or public health emergencies
- **Early Response**
  - Window can also be leveraged at an earlier juncture for slower-onset crises, namely disease outbreaks and food insecurity
- **Instruments:**
  - IPF (usually via additional financing), DPO, PforR
- **Financing & terms:**
  - Aligned with country allocations (excl. PBA-SMLs)
  - For severe natural disasters (damages and losses > 1/3 of GDP), adjustments of financing terms are possible (based on updated Debt Sustainability Analysis in the aftermath of crisis)

Window for Host Communities and Refugees

Amount

US$2.4B

(SDR 1.7B)

Purpose

To create medium to longer term development opportunities for refugees and host communities

- **Eligibility:** IDA countries…
  - Hosting more than 25,000 refugees or 0.1 percent of population;
  - Adequate refugee protection framework; and
  - Government action plan, strategy or compact on country's response
- **Country cap:** $500m
- **Financing & terms:**
  - High risk of debt distress: 100% grants
  - Moderate or low risk of debt distress: 50-50% grants/credits
  - 100% grants to countries with a sudden massive inflow of refugees
  - Blend and Gap countries are eligible to receive grants per above

Scale-Up Window

	Regular SUW	SUW Shorter Maturity Loans NEW
Amount	US$6.3B (SDR 4.4B)	US$7.8B (SDR 5.5B)
Purpose	Provide countries with healthy debt outlooks the opportunity to pursue selected **high-impact operations** on top of their country allocations.	Scale up investments needed in the short and medium term as part of **COVID-19 response***
Eligibility	• Countries at low or moderate risk of debt distress • Subject to non-concessional borrowing ceilings with the WB or the IMF.	• Countries at low or moderate risk of debt distress, as well as Gaps and Blends (except red-light Small States) • On track with implementation of Performance and Policy Actions under IDA's SDFP • Debt Sustainability Analysis confirming that financing will not exacerbate debt risks
Financing Terms	**Non-concessional**: IBRD Terms (Group A)	**Concessional**: Zero interest or service charge, 12-year maturity, 6-year grace period

** The four pillars of the WBG's Response to the COVID-19 pandemic comprise: (i) Saving lives , (ii) Protecting poor and vulnerable people, (iii) Ensuring sustainable business growth and job creation, and (iv) Strengthening policies, institutions, and investments.*

Private Sector Window

Amount
US$2.5B (SDR 1.7B)
Purpose
Support IFC and MIGA to scale up high impact private sector investments in the most difficult markets

- **Eligibility:** Corporations that invest in…
  - IDA-only countries
  - IDA Gaps and Blends FCS
  - Fragile sub-national regions of non-FCS IDA Gaps and Blends
- **Type of support**
  - Loans, equity, guarantees, local currency support and risk sharing facilities
- **Financing & terms:**
  - Pricing and tenors determined on a case-by-case basis in consideration of the minimum concessionality and other concessional blended finance principles

The Sustainable Development Finance Policy (SDFP) continues to be a key element in the IDA Agenda

Pillar 1: Debt Sustainability Enhancement Program (DSEP)

- Incentivizes countries to move towards transparent and sustainable financing
- Country-specific performance and policy actions (PPAs) are selected for countries with elevated debt risks.
- Countries' unsatisfactory implementation of PPAs will affect the size of IDA allocations.
- For severe or repeated breaches of PPAs, IDA financing terms may be hardened.

Pillar 2: Program for Credit Outreach (PCO)

- Facilitates information sharing, dialogue, and coordination among creditors on country, regional and global level
- *Country level:* Dialogue between borrowing countries and lenders.
- *Regional level:* Promoting Transparency Principles and alignment with SDFP
- *Global level:* Formulating high- level processes to enable better coordination among MDBs

Thank you!