



IDA13

**Report from the Executive Directors of IDA
To the Board of Governors**

**Additions to IDA Resources:
Thirteenth Replenishment**

Supporting Poverty Reduction Strategies

Approved by the Executive Directors on July 25, 2002

International Development Association

ACRONYMS AND ABBREVIATIONS

ARPP	Annual Report on Portfolio Performance
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
ESW	Economic and Sector Work
FSAP	Financial Sector Assessment Program
FY	Fiscal Year
GEF	Global Environment Facility
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HNP	Health, Nutrition and Population
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
JSA	Joint Staff Assessment
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Governmental Organization
OBA	Output-Based Aid
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department
ODA	Overseas Development Assistance
PBA	Performance-Based Allocation
PER	Public Expenditure Review
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SDR	Special Drawing Rights
SPA	Strategic Partnership with Africa
SSP	Sector and Thematic Strategy Paper
UN	United Nations
WCD	World Commission on Dams
WDR	World Development Report

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EXECUTIVE SUMMARY

The International Development Association (IDA) provides vital financial resources and policy advice to 79 countries where the vast majority of people live on less than \$2 a day. These countries have little or no access to market-based financing, and IDA, as the largest source of concessional assistance to the world's poorest countries, plays a critical role in their efforts to achieve sustained growth and poverty reduction. IDA places special emphasis on meeting the exceptional development challenges faced by Africa, within its broad commitment to support all the world's poor countries.

In a world where people and economies are ever more interdependent, rich and poor countries alike share an increased vulnerability to shocks in the global system. The recent economic slowdown in the industrialized countries and the aftermath of the September 11th terrorist attacks on the United States will likely hit poor countries the hardest. The need for global collective action has never been more immediate; IDA must join together with borrower countries and other development institutions to respond to the needs of the poor at this critical time. The steps that IDA donors have taken, including those proposed for this replenishment, significantly strengthen IDA's capacity, sharpen its focus on policy and institutional performance, and position it well to meet the challenges ahead.

IDA continues to be the most effective international institution in terms of lending based on country performance. In addition, the programs IDA supports are more transparent and participatory than ever before. This has sharpened IDA's poverty focus, strengthened country ownership, and increased IDA's development effectiveness. Building on the lessons of a major independent review of IDA's performance, Deputies recommend a stronger focus on results and outcomes in IDA programs, including monitoring of progress towards the Millennium Development Goals (MDGs) for poverty reduction. At the same time, Deputies recognize the special difficulties facing some of the poorest and most vulnerable IDA-eligible countries. To help address these problems, they recommend an expanded use of IDA grants for recovery from conflict and natural disasters, HIV/AIDS programs, and countries threatened by extreme poverty and debt vulnerability. IDA's approach, which is based on a compact about performance and resources between donors and borrowers, embodies the core principles of the Monterrey Consensus.

Against this background, IDA donors agree on a replenishment that prioritizes the following four objectives:

1. To promote **sound policies** that will lay a secure basis for productivity growth and poverty reduction in IDA borrowing countries;
2. To ensure IDA assistance is **effective** and delivers **measurable results**;

3. To improve IDA's **coordination, transparency and consultation** to increase operational effectiveness; and
4. To provide for a **substantial replenishment** of IDA resources to support countries demonstrating commitment to equitable and sustainable growth.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS BY IDA DEPUTIES

Deputies agree on a series of operational, policy, and financial recommendations to reinforce the poverty reduction impact of IDA's assistance, drawing, among other things, upon the World Bank's independent Operation Evaluation Department's (OED) evaluation of the last decade of IDA's experience. These recommendations are set out in the attached Report and are summarized below.

A. SOUND POLICIES

The **Poverty Reduction Strategy Paper** (PRSP) provides a framework for country-led strategy formulation and coordination of development assistance, linking a country's development needs with the different capacities of its partners. IDA supports countries in their pursuit of key policies that lead to **poverty reduction**, including helping countries raise productivity, promote accountable governance, improve the private investment climate, develop sustainable growth strategies in participation with civil society, and diversify sources of growth and exports. With the advent of the PRSP, the **Country Assistance Strategy** (CAS) has become a more focused document that articulates IDA's plan for financial and advisory assistance to a country and the rationale behind it. Reaffirming these principles, Deputies make the following recommendations and conclusions.

Implementing the PRSP Process

- Deputies call on IDA, working together with other external partners, to place priority on the following dimensions of the PRSP: (a) prioritizing and costing public actions critical for growth and poverty reduction; (b) strengthening public expenditure management systems; (c) improving the participatory process; and (d) setting indicators to measure and evaluate progress.
- Deputies call on IDA to align its support with sound development priorities identified by borrowers in their PRSPs, choosing which activities to finance based on IDA's comparative advantage and the activities of other development partners.
- Deputies recommend that the strengths and weaknesses of the PRSP be summarized in the Joint Staff Assessment of the World Bank and the International Monetary Fund (IMF) and that the CAS articulate the extent to which the priorities of the IDA program align with those of the PRSP.

Policy Priorities for Poverty Reduction

- **Education.** Deputies reaffirm education as critical to increasing productivity and improving living standards. They request that an action plan be prepared early in IDA13 to achieve Education for All and ask IDA to track progress in achieving the internationally agreed education goals, particularly those relating to girls.
- **Gender.** Deputies ask IDA to intensify and monitor the mainstreaming of gender considerations into all its assistance programs with the aim of creating an enabling environment for achieving gender equality.
- **Infectious Disease.** Deputies request that IDA mainstream the discussion of HIV/AIDS and other communicable diseases into country policy dialogue and increase resource allocations to support the fight against these diseases in close collaboration with other partners.
- **Private Sector Development.** Deputies recommend that IDA help borrowers build a healthy investment climate as the critical prerequisite for a competitive private sector, including the promotion of investment and trade. Deputies urge IDA to exploit synergies with other members of the World Bank Group, in particular the International Finance Corporation (IFC), to encourage innovation in support of private sector development and to devote resources during IDA13 to such innovative programs.
- **Rural Development.** Deputies request that a new rural development strategy be developed that focuses on increasing productivity in agriculture and defining pro-poor, sustainable investments in rural areas.
- **Environment.** Deputies recommend that the World Bank's Environment Strategy be implemented according to its set schedule and milestones. Deputies ask that the mainstreaming of environmental concerns in IDA operations be accelerated. IDA should establish a timetable for improving environmental diagnostics and strengthening the relevant staff's skills mix, training, decision tools, and incentives. Deputies urge IDA to ensure that all projects, including those in extractive industries, are in full compliance with safeguard policies before presentation to IDA's Executive Directors.
- **Governance.** Deputies reaffirm the fundamental importance of good governance for the success of all development assistance. They ask that IDA step up its efforts to help borrowers build capacity to manage, monitor and evaluate public expenditures, strengthen procurement and financial management systems as well as internal rules and restraints, encourage transparency and accountability, and fight corruption.

IDA's Country Assistance Strategy and Regional Priorities

- **Core Diagnosis.** Deputies recommend that the CAS draw upon the results of core analytical work to determine the appropriate composition and level of IDA's financial and advisory assistance. Deputies call on IDA to establish a timetable to ensure that core Economic and Sector Work is undertaken for active IDA borrowers and to report on progress at the Mid-Term Review of IDA13.
- **Business Plan.** Deputies affirm that the CAS should be based on each country's PRSP and should provide a business plan on which the World Bank Group can effectively base its support. The CAS will take account of differences between actions proposed in the PRSP and IDA's priorities.
- **Aligning Budget with Priorities.** Deputies recommended that Management ensure that CASs are costed with realism and are fully funded, including adequate funding of analytical work as well as support for capacity-building activities.
- **Regional Priorities.** Deputies reaffirm the objective of directing half of IDA's assistance to Africa, provided that the performance of individual countries warrants it, and of supporting countries in their efforts to use these resources effectively. Deputies also recognize the need to address the poverty-related priorities identified in other regions of the world, such as Asia, particularly in the aftermath of the September 11th events.

B. EFFECTIVENESS AND MEASURABLE RESULTS

Deputies recommend a stronger focus on **measuring and monitoring** the outcomes and results of IDA programs during IDA13, drawing upon OED's Review of IDA. The strong and explicit linkage of IDA's financial support to **country performance** is a keystone of IDA's approach and has demonstrated its effectiveness for poverty reduction. Finally, effective use of donor resources depends on **country accountability** and credible assurances that development finance reaches its intended purpose. With these principles in mind, Deputies make the following recommendations:

Measuring Development Effectiveness

- **Instituting a Process.** Deputies call on Management to measure, together with other development partners, the implementation quality, sustainability, and development impact of IDA-financed programs, building on the PRSP process and on borrowers' own progress indicators. They call on Management to help countries design development outcome indicators that provide timely feedback on the impacts of their interventions.
- **Establishing a Results-Based System.** Deputies recommend that Management put in place a system for IDA to better measure, monitor and manage for development results. The system should link outcomes to IDA country programs

and should include country-specific intermediate indicators that emerge from the PRSP and CAS processes. Deputies ask Management to report on progress in selected input and output indicators at the IDA13 Mid-Term Review (Spring 2003) and towards the end of the IDA13 period (Spring 2004). Deputies noted that the IDA13 experience could be useful to broaden the results-based measurement system and to make it an integral component of IDA14.

- **Monitoring Institutional Commitments.** Deputies ask Management to monitor the implementation of IDA13 institutional commitments, reinforce accountability for policy compliance and report on progress at the IDA13 Mid-Term Review.
- **Monitoring Development Progress.** Deputies request that IDA contribute to the monitoring of poverty, inequality and other social indicators by working closely with the United Nations (UN) and that Management provide a report on both global and country-specific progress toward long-term objectives, including the MDGs, at the Mid-Term Review of IDA13.

Improving Performance-Based Allocations (PBA)

- **Link between Finance and Performance.** Deputies call on Management to maintain the strong link between IDA's financial support and countries' policy performance with special emphasis on good governance. In countries affected by conflict, Deputies recommend that IDA, in close collaboration with the UN agencies, play an important role in the transition to peace and economic and social recovery.
- **Link between PBA and CAS.** Deputies affirm that the performance-based allocation process determines the financing for the CAS base-case financing scenario and that higher commitment levels are to be triggered by improvements in key policy areas.

Increasing Accountability

- **Programmatic Financing.** Deputies recommend that programmatic financing be based on time-bound action plans to establish sound fiduciary policies and processes and demonstrated progress towards implementation of the plans. Deputies urge IDA, working together with the IMF, to assist countries in building the capacity required to develop and implement these fiduciary policies.
- **Anti-Money Laundering.** In response to the increased threat from terrorism, Deputies urge IDA to step up efforts to prevent the financing of terrorist activities, including strengthening the legal framework for combating money laundering and similar crimes, improving regulatory and supervisory systems for the financial sector, promoting transparency and good governance principles, and working together with the Financial Action Task Force on Money Laundering (FATF) and other relevant international bodies, particularly to assess institutional performance.

C. COORDINATION, TRANSPARENCY AND CONSULTATION

The IDA13 Replenishment has seen an unprecedented opening up to borrowers, civil society and the general public. For the first time in IDA's history, representatives from borrowing countries participated in the replenishment discussions, and policy papers prepared for this replenishment were made publicly available in advance of Deputies' meetings. In addition, Deputies sought public comment on this report and took that input into consideration in the final drafting. Deputies call on IDA to build on the progress of the last several years and to continue to engage openly with a broad range of partners:

- **Improving Participation.** Deputies recommend that IDA work with other donors to build countries' capacity to improve the quality and inclusiveness of their decision-making, including the active involvement of parliaments.
- **Strengthening Development Partnerships.** Deputies request that IDA continue to strengthen its partnerships with other bilateral and multilateral development institutions, in particular the United Nations, through open and transparent relationships. They also urge IDA to facilitate common approaches and the harmonization of policies and procedures.
- **Selectivity.** Deputies request that IDA be more selective by concentrating on its areas of comparative advantage given the strengths of other development partners and country PRSPs, and they ask Management to report on progress towards institutional selectivity at the Mid-Term Review of IDA13.
- **Disclosure.** Deputies recommend that Management implement the revisions to the disclosure policies approved by Executive Directors in September 2001 and actively explore additional ways in which more information on IDA programs can be made publicly available. PRSPs and CASs should continue to be made public with sensitive information appropriately handled.

D. SUBSTANTIAL REPLENISHMENT

Deputies recommend that SDR 10 billion be provided in donor contributions in order to enable IDA to commit a total of about SDR 18 billion between July 1, 2002, and June 30, 2005. They urge that high priority continue to be given to transfers from IBRD net income during IDA13. Deputies agree to explore ways to meet additional needs that may arise as a consequence of the September 11th events and the global slowdown.

Deputies agree to include an incentive-based supplemental financing mechanism to allow additional donor contributions to be added based on progress achieved toward input and outcome measures tracked during the replenishment period.

- **Terms of IDA Financing.** Deputies recognize the special difficulties facing the poorest and most vulnerable of the IDA-eligible countries and recommend a significant expansion in the use of IDA grants to help address challenges such as

recovery from conflict and natural disasters, HIV/AIDS, and extreme poverty and debt sustainability problems. Deputies also recommend the introduction of new lending terms for those countries that have access to IDA resources on an exceptional basis. Deputies request that Management report on the implementation of grants and new lending terms at the IDA13 Mid-Term Review.

INTRODUCTION

1. IDA provides vital financial resources and policy advice to 79 countries where the vast majority of people live on less than \$2 a day. Together these countries are home to 2.5 billion people, comprising half of the population of the developing world. Among the people living in IDA countries, nearly eight out of ten — a total of 1.8 billion people — are very poor (living on incomes of less than \$2 a day), and nearly four out of ten — more than 850 million people — are extremely poor, having to survive on less than \$1 a day. These countries have little or no access to market-based financing, and IDA, as the largest source of concessional assistance to the world's poorest countries, plays a critical role in their efforts to achieve growth and poverty reduction. IDA's approach to poverty reduction has evolved and become more sharply focused over time, drawing on the lessons and knowledge gained from the experience of developing countries and the efforts of the international community to assist them. IDA's approach, which is based on a compact about performance and resources between donors and borrowers, embodies the core principles of the Monterrey Consensus.

2. Representatives of donor governments, the IDA Deputies, negotiated the Thirteenth Replenishment of IDA's resources under the chairmanship of Mr. Sven Sandström, Managing Director of the World Bank.^{1/} These replenishment discussions produced three notable innovations in IDA's policies and processes. First, in order to better track the results of IDA's assistance and to help ensure that IDA resources achieve the greatest impact possible on poverty reduction, the IDA13 Deputies recommended that Management establish a results-based measurement system to link IDA-financed programs to countries' development outcomes and to the Millennium Development Goals (MDGs). Second, in order to increase IDA's flexibility in addressing the special difficulties faced by the poorest and most vulnerable countries and to help deal with the challenge of HIV/AIDS, Deputies recommended a significant expansion of the use of IDA grants. Finally, in order to increase the transparency of their deliberations, Deputies opened up the replenishment process to borrowers and the public by introducing the following changes.

3. At their first meeting, Deputies decided to invite six senior representatives of IDA borrowing countries from different regions to take part in the remaining IDA13 meetings. Deputies also decided to further enhance the transparency of their discussions by making their background policy papers available to the public and by seeking public comments on a draft of this report prior to its finalization. These moves constituted an unprecedented opening up of the IDA replenishment process to borrowers and the public at large. The second meeting in Addis Ababa was preceded by an all-day dialogue between IDA Deputies and borrower representatives and representatives from African governments, civil society and academia, organized and chaired by the United Nations Economic Commission for Africa. The third meeting in Paris included a consultation with civil society representatives from IDA borrowing countries. All of

^{1/} IDA13 meetings: February 28-March 1, 2001, Paris, France; June 6-7, 2001, Addis Ababa, Ethiopia; October 22-24, 2001, Paris, France; December 6-7, 2001, Montreux, Switzerland; May 1-2, 2002, London, United Kingdom; and July 1, 2002, London, United Kingdom.

the background policy papers as well as the summaries of the meetings are available on IDA's web site.^{2/} The papers are listed in Annex 7.

4. The Deputies have recommended that this replenishment provide funding for IDA development credits and grants that will be committed during the three years from July 1, 2002 through June 30, 2005. They have recommended that SDR 10 billion be provided in donor contributions in order to enable IDA to commit a total of about SDR 18 billion during this period. In addition to donor contributions to IDA, commitment authority for IDA13 will be provided by advance commitments against future repayments by IDA borrowers, funds carried over from the Twelfth Replenishment, and transfers from International Bank for Reconstruction and Development (IBRD) net income, as approved by IBRD's Board of Governors.

5. The constraints facing IBRD net income and the importance of maintaining IBRD's financial strength are fully recognized by IDA donors. The Deputies acknowledged that the first use of IBRD net income must be for adequate reserves to ensure IBRD's continued financial strength. At the same time, they placed great importance on continued and substantial transfers to IDA and the Heavily Indebted Poor Country (HIPC) program out of available IBRD net income during IDA13. They urged that high priority continue to be given to these transfers within IBRD's policies on the allocation of net income.

6. This report sets out Deputies' guidance on the policy, operational, and financial framework that underpins IDA's support for poverty reduction strategies during the IDA13 period. Section I provides Deputies' guidance for increasing IDA's effectiveness in poverty reduction. Section II sets out Deputies' recommended priorities for poverty reduction. Section III presents their guidance on IDA's country assistance strategies, approaches to tackle global challenges, as well as the terms on which IDA financial support is provided. Section IV sets out guidance for monitoring and evaluating IDA13. Section V reviews the framework for managing IDA's financial resources. Section VI sets forth the recommendation of the Executive Directors to the Board of Governors to adopt the draft IDA13 Resolution.

^{2/} www.worldbank.org/ida.

SECTION I: INCREASING IDA'S EFFECTIVENESS

7. At the request of IDA's Deputies and its Executive Directors, the World Bank's Operations Evaluation Department (OED) carried out a comprehensive review of IDA's performance in implementing its undertakings during IDA10-12.^{3/} These undertakings included: (i) sharpening the poverty focus of IDA's support for country development; (ii) expanding access to social services, fostering broad-based growth, promoting good governance, and integrating gender and environmental considerations into development efforts; and (iii) increasing IDA's development effectiveness through more selective, more participatory, and better-coordinated country assistance programs.

8. Deputies noted that the OED Review provided an excellent overview and analysis of IDA's performance and a strong platform for IDA13. They agreed with OED's conclusion that, while IDA's performance had improved markedly over the period, especially in its poverty focus and responsiveness to borrowers, there were specific areas that called for more attention. They noted that IDA's programs of self-evaluation and independent evaluation have been effective in fostering continuous learning and change and have helped enhance the quality of its assistance during IDA10-12. Deputies broadly endorsed OED's recommendations as important to strengthen IDA's development effectiveness and called for a time-bound action plan for their implementation. This action plan is incorporated in the matrix of IDA13 Objectives and Actions in Annex 3. In particular, Deputies requested that IDA reinforce the implementation and poverty impact of its assistance, focusing on the action areas discussed below.

Consolidating IDA Mandates

9. Deputies reaffirmed that poverty reduction continues to be IDA's overarching objective and that all its activities must be a means to that end. They noted that the IDA12 Replenishment Report had established a comprehensive policy framework for effective use of IDA's resources which had proved its usefulness and remains relevant to the needs of its borrowers.^{4/} Deputies recommended that during the IDA13 period this framework continue to be implemented as IDA's basic development approach and that it be further strengthened as set out in this report. Deputies welcomed the introduction of the Poverty Reduction Strategy Paper (PRSP) as the borrower's framework for poverty reduction, and they discussed its implications for IDA's approach and its potential for consolidating IDA's efforts. They reaffirmed the central role of the Country Assistance Strategy (CAS) as the main instrument for managing IDA's assistance to borrowers and as the business plan for the World Bank Group to consider its support of countries' national poverty reduction strategies. IDA programs, as set out in the CASs, should be informed by the development priorities identified by borrowers in their PRSPs. Specific actions to further consolidate IDA mandates are detailed below.

^{3/} *IDA's Partnership for Poverty Reduction (FY94-00): An Independent Evaluation* (available at www.worldbank.org/oed/IDA).

^{4/} *Additions to IDA Resources: Twelfth Replenishment -- A Partnership for Poverty Reduction*, December 11, 1998, International Development Association.

Strengthening Development Partnerships

10. Deputies reaffirmed the importance of putting borrower countries in the lead of their development processes and endorsed the principles of country ownership and enhanced partnerships underlying the PRSP process and the Comprehensive Development Framework (CDF).^{5/} They stressed that the constraints on development assistance and the institutional pressures on recipient countries meant that major changes were needed in the management of Official Development Assistance (ODA) to increase its impact and reduce inefficiencies and transaction costs and that IDA should play a leading role in that respect. At the same time, Deputies stressed that changes in ODA management should not entail any weakening of fiduciary management and safeguards principles and procedures. They stressed that IDA Management should ensure that IDA-financed projects are in full compliance with the Bank's applicable safeguard, fiduciary and other policies before presentation to IDA's Executive Directors.

11. Deputies stressed that forging development partnerships should start at the country level, with government commitment and ownership of the development program and strong participation of civil society, the private sector, labor organizations and other stakeholders, and especially representatives of poor people. Deputies observed that such consultation needs to complement countries' democratic political processes, including parliamentary processes. In that connection, they urged IDA to work with other donors to help build countries' capacity to make their own policy and program processes more participatory and inclusive and to build institutions for implementation that represent diverse interests. At the same time, IDA and other donors should continue to encourage adoption of sound economic and social policies in country programs. Deputies encouraged IDA to increase the use of sector-wide approaches (SWAs) with a view towards improving the integration and effectiveness of donor financing.

12. The PRSP process, supported by borrowers and their development partners, could become a major vehicle to improve borrower-led aid coordination because it provides a common framework for all partners' assistance programs in the country. Within this common framework, countries should be able to count on aid flows if they are committed to sustained good governance and to a participatory, pro-poor development program. PRSP-based aid coordination is discussed in Section II, Part A below.

13. Building effective partnerships requires consensus and collaboration among donors to harmonize their policies and practices at the agency level, reduce transaction costs of development assistance and build recipient capacity. Deputies welcomed the World Bank's increased efforts to facilitate harmonization in areas of financial management, procurement,

^{5/} **CDF Principles:**

- *Ownership by the country.* The country, not assistance agencies, determines the goals and the phasing, timing and sequencing of its development programs.
- *Partnership.* Government together with civil society and the private sector assistance agencies define development needs and implement programs.
- *Long-term vision.* The articulation of development needs and solutions is built on national consultations which can engender sustained domestic support.
- *Structural and social issues.* Social and structural concerns are treated equally and contemporaneously with macroeconomic and financial issues.
- *Results orientation.* Success is judged by progress on the ground toward equitable and sustainable development.

audit safeguard assessments and country analytic work. They also welcomed the Bank's own timetable on harmonization, including the commitment to update CAS and JSA guidelines to cover key harmonization issues. Deputies noted the Action Plan on Harmonization of Operational Policies and Procedures, developed jointly by the Multilateral Development Banks (MDBs) and the OECD-DAC Task Force on Donor Practices and endorsed by the Development Committee.^{6/} They called for timely implementation of the Action Plan which gives priority to harmonizing procurement, financial management and environmental assessments and makes a clear commitment to the central importance of donors' having the flexibility to harmonize around country systems. They emphasized the importance of adopting best practice standards in the use of IDA resources and on assisting borrower countries in strengthening their administrative capacity to adhere to such standards. Deputies requested a review of progress on harmonization at the time of the IDA13 Mid-Term review.

14. Deputies encouraged Management to continue this work and to maintain close collaboration with other MDBs, the OECD-DAC Task Force on Donor Practices, the Strategic Partnership with Africa (SPA), the United Nations (UN) and its specialized agencies, and bilateral development assistance agencies. They also noted progress in strengthening partnerships between IDA and other development institutions, particularly the regional development banks, and welcomed the Memoranda of Understanding with the African, Asian and Inter-American Development Banks. They recommended full implementation and, over time, strengthening of these collaborative frameworks, to ensure better coordination and stronger partnership in the multilateral system of development cooperation.

Increasing Selectivity

15. To improve development effectiveness, IDA should increase its selectivity within countries by concentrating on areas of its comparative advantage, by clarifying its own institutional objectives and priorities, and by directing more assistance to borrowers with sound policy environments. In pursuit of this goal, CASs should summarize IDA's assessment of national economic, structural, social and fiduciary policies; focus on areas of IDA's comparative advantage; and be synchronized more closely with strategies of the regional development banks.

16. Deputies noted that IDA needs to identify more precisely what it can (and cannot) commit to do, based on countries' needs and absorptive capacity and on IDA's comparative advantage. Deputies reaffirmed that IDA's comparative advantage lies at the strategic level — in helping countries to improve their economic management and to implement economy-wide and sector-wide structural reforms, and in analyzing policy options and sharing knowledge through Economic and Sector Work (ESW). Critical components of this approach are IDA's programs on governance and public sector strengthening, including further efforts to make capacity building a core dimension of IDA's work. IDA can play a key role in providing financing for poverty reduction strategies and in supporting the research and analytical work needed to identify the actions required for poor men and women to benefit from the gains of overall economic growth. Deputies stressed, however, the need to establish IDA's institutional selectivity in concert with the strategic decisions of other development partners. Deputies

^{6/} *Harmonization of Operational Policies, Procedures and Practices: Second Progress Report*, DC2002-0004/Rev1, April 2, 2002.

requested IDA Management to report on the progress of this work at the Mid-Term Review of IDA13.

17. To increase the selectivity of IDA programs, Deputies urged Management to strengthen the implementation of Sector and Thematic Strategy Papers (SSPs) and to integrate their lessons into CASs as appropriate in light of country conditions and country program constraints. SSPs are intended to underpin and translate into action the Bank's strategic vision in a sector or thematic area. They aim to: (a) set out strategic objectives and propose options for their implementation at the country programming level; (b) place sector activity in its broader development context, including the rationale for public action in the sector, and the role of the global programs; (c) analyze past Bank performance in the sector, drawing lessons for future action; (d) discuss partners active in the area and the Bank's comparative advantage; and (e) define strategic options and the institutional implications of their implementation. Deputies noted that strategies are now in place for eleven sectors and thematic areas: education; environment; environmental strategy for the energy sector; financial sector; gender; health, nutrition and population; information and communications technology; private sector development; public sector and governance; social protection; and urban and local government. Three more SSPs are under preparation on forestry, rural development, and water. Deputies urged Management to ensure that careful SSP implementation guide IDA's work in all relevant areas of intervention and to monitor sector strategy impact in achieving greater selectivity in program priorities. The improved integration into CASs of sector priorities guided by these strategy papers, in the context of the PRSPs, should help IDA to refine the focus of its financial and advisory services (including where to take a leading or a supporting role in coordination with other donors), its choice of instruments, and its means for measuring results.

18. Deputies noted that IDA's performance-based allocation (PBA) system has resulted in increased selectivity in the allocation of resources at the country level, based on assessments of the soundness of countries' policies and institutional arrangements. They reaffirmed the importance of good governance in resource allocation and the need to continue to assign a high weight to this factor in the allocation of IDA's resources. However, with a view towards targeting IDA resources towards the poorest, Deputies requested that Management continue to assess the impact of the current weighting of poverty in the allocation formula. They asked for a report on this topic at the IDA13 Mid-Term Review. They also stressed the special needs and circumstances of post-conflict countries and noted Management's proposal to adapt the IDA allocation system to these circumstances as a useful guide in determining case-by-case allocations. Deputies endorsed the PBA system that would be in place for IDA13, described in Annex 1 to this report. They observed that disclosure of the rating system would allow it to benefit from open scrutiny and to serve as a diagnostic tool for strengthening development partnerships. They agreed that sharing ratings with client countries was an important step and recommended that IDA explore ways to share ratings with other partners with the goal of public disclosure of these ratings. Deputies asked Management to report on readiness of the system for public disclosure and the timing of public disclosure of individual country ratings at the IDA13 Mid-Term Review.

Aligning IDA's Administrative Budget and Program Priorities

19. Deputies stressed the importance of aligning IDA's administrative budget with its program priorities in order to improve its effectiveness. They recommended that country poverty levels, in addition to performance, should be an important factor in the Bank's process of budgetary resource allocation. They welcomed Management's efforts to ensure a more realistic costing of CASs and stressed that these efforts should be accompanied by a process to ensure the full funding of CASs. The introduction in FY02 of a three-year rolling budget framework is a step in this direction. Deputies also noted the need to ensure appropriate levels of funding for Economic and Sector Work which is critically important to the quality of IDA programs.

Measuring Results and Tracking Performance

20. Effective Monitoring and Evaluation (M&E) systems are essential for assessing progress in meeting poverty reduction targets and promoting development effectiveness. Deputies noted that poverty assessments have been completed for over 90 percent of IDA's eligible borrowers and that almost half of active IDA borrowers have a recent Public Expenditure Review (PER).^{7/} They also noted that other Economic and Sector Work (such as social, environmental and structural reviews, and sectoral analyses) has also strengthened IDA's focus on poverty and the empirical basis for effective monitoring. At the same time, Deputies expressed concern that core diagnostics have not been conducted for a number of IDA countries and stressed the need for Management to move forward expeditiously in completing these diagnostics in these countries.

21. Deputies underscored the need to improve the quality and policy relevance of the core diagnostic analysis, to strengthen countries' capacity to collect and analyze poverty data, including on gender dimensions, and to monitor progress. A review of the first year of PRSP implementation pointed to continuing weaknesses in countries' poverty data collection and analysis and in public expenditure tracking. The OED Review of IDA also reinforced the need to improve performance indicators and M&E at project, country, and institutional levels, with a clear focus on results. Deputies called for actions at three levels: (i) helping countries to develop timely M&E data to support decision making by both IDA and borrower countries, shifting the focus from inputs and outputs to outcomes and results; (ii) developing borrowers' institutional capacity for evaluation and data development and dissemination, within the PRSP framework; and (iii) harmonizing M&E approaches and requirements among development agencies.

22. Deputies affirmed that in addition to supporting borrowers' efforts to improve monitoring and evaluation, Management must actively monitor and evaluate results for all IDA-financed programs and projects. To this end, Deputies recommended that Management put in place a system to measure, monitor and manage for development results. The system should link progress in reaching country development outcomes, as set out in PRSPs, to IDA country programs and, given an appropriate data base, should provide a clear indication of how IDA's programs promote the achievement of these outcomes. Every effort should be made to

^{7/} Nearly all countries for which poverty assessments have not been completed are countries in conflict or are inactive. Actions to improve the analytical underpinnings of IDA's work are described in Section III – Part A (Country Assistance Strategies).

harmonize the system at the country level in consultation with other development agencies. The system should be country-focused but should be capable of aggregating across country programs in order to report and assess IDA-wide results. Deputies asked Management to report on selected input and output indicators at two points during the IDA13 period: at the IDA13 Mid-Term Review (Spring 2003) and towards the end of the IDA13 period (Spring 2004). At the first review, Deputies will assess IDA's performance management system along with its associated baseline data, identified outcome indicators, and expected progress targets, and they will assess progress on targets for IDA inputs in the areas of financial accountability, procurement, public expenditure, investment climate, and poverty (see Annex 3). At the second review, Deputies will assess the first-year results of the performance management system, further progress made on the agreed targets for IDA inputs, and progress made on the agreed interim output indicators in education, health and private sector development (see Annex 3). These reviews would also provide an opportunity for Deputies to consider revisions to the output indicators if needed given the intervening development of IDA's performance management system. Donors would have the option of linking additional IDA contributions to progress on the agreed input and output indicators. Deputies noted that the IDA13 experience could be useful to broaden the results-based measurement system and to make it an integral component of IDA14.

23. Deputies recommended that the Millennium Development Goals (MDGs) provide a basic point of reference for measuring country outcomes (Box 1), with countries themselves monitoring and reporting on progress. They urged that IDA CASs include: (a) key PRSP-based country outcome goals and indicators, including relevant country-specific MDGs, with baseline data; (b) a clear statement of the results expected from CAS-supported programs, projects, and other activities; (c) benchmarks for assessing CAS implementation; and (d) an assessment of country data systems and other capacity to monitor and evaluate progress. They also urged IDA to work with other development partners, notably UN agencies, to devise a common process for monitoring and reporting on progress towards MDGs and other important development goals at the global level.^{8/}

^{8/} Issues of monitoring and evaluation of IDA at both country and institutional levels are further discussed in Section II, Part A (Implementing the PRSP Process) and Section IV (Monitoring and Evaluation of IDA13).

BOX 1: MILLENNIUM DEVELOPMENT GOALS (MDGs)

As a major step toward concerted action for development, the international community has agreed on a set of poverty reduction and social development goals as well as operational policies that will focus development efforts on key areas that are crucial to improving the lives of the poor. These ten targets provide milestones against which progress can be measured:^{9/}

Eradicate extreme poverty and hunger

1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Achieve universal primary education

3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Promote gender equality and empower women

4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.

Reduce child mortality

5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.

Improve maternal health

6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

Combat HIV/AIDS, malaria and other diseases

7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Ensure environmental sustainability

9. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
10. Halve by 2015 the proportion of people without sustainable access to safe drinking water.

^{9/} The goals were drawn from United Nations' conferences and resolutions, reflecting broad agreement by the international community as a whole and were first set out in *Shaping the 21st Century: The Contribution of Development Cooperation*, issued by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD) in May 1996. The revised set of goals, targets, and indicators is contained in the report of the Secretary General of the United Nations, *A Road Map towards the Implementation of the United Nations Millennium Declaration*, September 6, 2001. An additional goal, "Develop a Global Partnership", concerns actions by developed countries to address the needs of developing countries.

SECTION II: POLICY FRAMEWORK FOR POVERTY REDUCTION

24. Deputies reaffirmed that the PRSP should help set priorities for IDA's and other donors' country assistance programs. They noted that the policy agenda established for IDA12 remains relevant as the broad framework of priorities for IDA13 with appropriate adaptations to the changing global environment. This agenda focuses on key policies that countries need to have in place to increase productivity and achieve faster, broad-based and sustainable growth with a view to reducing poverty. Deputies underscored that the *World Development Report 2000/1: Attacking Poverty* provides an approach for renewed emphasis on poverty reduction,^{10/} and they welcomed plans to translate its concepts into action by countries and their external partners, including IDA.

A. IMPLEMENTING THE PRSP PROCESS

25. The Poverty Reduction Strategy Paper approach offers a new opportunity for development strategy — and development assistance — to be grounded in a broadly based and country-owned process. The PRSP reflects the principles of the Comprehensive Development Framework (CDF): a comprehensive approach formulated within a long-term vision and strategy, enhanced country ownership, strategic partnership among stakeholders, and a focus on outcomes and results. The PRSP aims to: (a) provide a mechanism for linking the use of debt relief under the Enhanced Heavily Indebted Poor Country (HIPC) Initiative to policies that reduce poverty; (b) increase the focus of IDA and the IMF concessional assistance on the overarching objective of poverty reduction; and (c) improve the coordination and effectiveness of development aid, with a strong results-orientation, including collaborative efforts to achieve internationally agreed development goals. Public participation is a key element of the PRSP process both in terms of establishing the goals and directions for national development and achieving country ownership of the poverty reduction strategy.

26. Deputies noted the progress in PRSP implementation since its launch in September 1999.^{11/} Though still in its early stages, experience to date has been encouraging with respect to the efforts of low-income countries in designing poverty reduction strategies and the corresponding commitment by their development partners to support the process. Deputies concluded that, during IDA13 and beyond, the PRSP should serve as a basis for IDA's assistance to borrowing countries.^{12/} They provided further guidance on this process, as summarized below.

^{10/} The WDR 2000/1 defines poverty as the deprivation of essential assets, opportunities and freedom of action and choice to which every human being is entitled. Poor people often lack adequate food, shelter, education and health. They face extreme vulnerability to illness, economic dislocation and natural disasters. They are often exposed to ill treatment by institutions of the state and society and are powerless to influence key decisions affecting their lives.

^{11/} A review of the PRSP approach and implementation is provided in the joint World Bank/IMF reports: *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings*, March 15, 2002; *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Early Experience with Interim PRSPs and Full PRSPs*, March 26, 2002; *Poverty Reduction Strategy Papers – Progress in Implementation*, September 7, 2000; April 18, 2001; and August 23, 2001; these documents are available at www.worldbank.org/poverty/strategies.

^{12/} The PRSP approach will be applied flexibly in blend countries, post-conflict countries, small states, and poor performers, depending on country circumstances.

27. **Country Ownership and IDA's Role.** It is important that the PRSP be an accurate reflection of the country's objectives and intentions, but also that IDA and other partners inform the process through dialogue and analyses, based on lessons of past experience. Early experience shows that countries' strategies have often given insufficient weight to issues that are important for sustainable development, such as the role of women, environmental management, fiduciary controls, and analysis of the social impacts of policy reforms. While recognizing that the PRSP is a country-owned document, Deputies reaffirmed that IDA should continue to advocate good policies. IDA should help governments improve the quality of PRSPs' policy content through country dialogue, analysis based on international experience, and the Bank/Fund Joint Staff Assessment (JSA). In this regard, IDA should encourage governments to analyze the poverty and social impacts of major programs and policy actions. The JSA should summarize the strengths and weaknesses of the strategy presented in the PRSP, and the CAS should reflect this assessment and articulate the extent to which the priorities of the IDA program are aligned with those of the PRSP.^{13/}

28. **Expected Content of PRSPs.** Deputies recognized that the PRSP is a continuous learning process into which lessons should be incorporated and analytical and measurement gaps addressed. Nevertheless, IDA, together with other external partners, should place priority on the following three dimensions of PRSPs:

- *Prioritizing Public Actions.* PRSPs should set forth comprehensive public sector expenditure priorities including key allocations. Governments should indicate their priorities for policy reform over a multi-year horizon, recognizing that the actual pace of implementation will be affected by political, institutional and economic constraints. The extent of participation in the formulation and implementation of the PRSP is essential for enhancing the prioritization of policies and their development impact.
- *Management of Resources.* Typically, PRSPs should articulate a program to improve the efficiency, transparency and accountability in the generation and use of public resources. Such improvements are essential both to economic efficiency and good governance.
- *Monitoring and Evaluation of Progress.* PRSPs should focus on results by including specific targets and indicators and by supporting sound M&E systems (including by civil society) to help determine the effectiveness of policies and donors' assistance programs.

29. Deputies acknowledged that these expectations are longer-term undertakings and that in the case of many poor countries, the current capacity to meet them is limited. Deputies encouraged IDA, its borrowers and other donors to make a special commitment to capacity building and to reforms to improve countries' public expenditure management and financial accountability. They recommended that IDA, in coordination with other development partners, link its future adjustment and budgetary support to milestones in the establishment of sound public expenditure management, financial management, and procurement systems. To this end, IDA should establish reporting mechanisms to monitor progress. In addition, to further

^{13/} The CAS will be the Bank's business plan for operationalizing those portions of the PRSP that are in line with key IDA goals. The role of the CAS is further discussed in Section III.

transparency and foster accountability, IDA should encourage IDA-supported programs to issue regular reports on progress towards financial and management performance targets.

30. **Participatory Process.** Deputies stressed that PRSPs should improve existing institutions and processes for decision making. PRSPs should be based on formally approved policies and budgets of governments, and their preparation should follow appropriate channels for approval. Nevertheless, the PRSP approach is intended to stimulate extensive public dialogue and greater transparency with the expectation that this will contribute to better accountability and governance.

31. **Aid Coordination.** Deputies emphasized the role of the PRSP as a mechanism for increasing borrowing country-led aid coordination. They welcomed the agreements reached by Management with the UN Development Group that the UN Common Country Assessment, the Bank's Economic and Sector Work (ESW), and the IMF's analytical and technical assistance work would contribute to governments' analytical base for PRSPs. They also welcomed the European Union's decision to base its Africa, Caribbean and Pacific (ACP) assistance programs on the PRSPs. They further noted the commitment by several bilateral donors to align their aid to PRSPs and acknowledged that other donors have hesitated to make such an alignment. They observed that the MDBs broadly agreed on this coordinated approach but that the principle of an explicitly agreed division of labor under the country's own strategy has not yet found operational acceptance among all MDBs.^{14/} Deputies therefore called for IDA to work towards closer collaboration and better coordination among MDBs in support of PRSPs and asked Management to evaluate and report to the Executive Directors on progress.

B. POLICY PRIORITIES FOR POVERTY REDUCTION

32. Deputies reaffirmed that strong and sustained economic growth is a primary requirement for effective poverty reduction. While a number of IDA countries have demonstrated recent improvements in growth, IDA must focus its assistance to raise growth rates further, especially in Africa, to make real progress in reducing poverty. To this end, Deputies reaffirm the objective of directing half of IDA's assistance to Africa, provided that the performance of individual countries warrants it. Deputies emphasized the importance of helping countries raise productivity, promote accountable governance through strong institutions, and diversify the sources of growth and exports. In addition, Deputies stressed the importance of increasing the security of and opportunities for poor men and women to enable them to participate in the benefits of growth.

33. Within this framework of broad-based and equitable growth, public expenditures should focus on investments in people, especially through expanding education, health and basic infrastructure and through curbing non-productive uses, including excessive military expenditures. Efforts should be made to increase the transparency and accountability of the public expenditure management system. Structural reforms are essential not only to increase efficiency and expand markets but also to build up the assets of the poor through access to land, credit and information. Well functioning labor markets, including the implementation of core

^{14/} *Protocol on Collaboration among MDBs/IMF in the Preparation of Poverty Reduction Strategies in Developing Countries*, agreed in early 2000, and the joint statement by MDB Presidents: *Multilateral Development Banks: A Partnership for Development, Growth and Poverty Reduction* (OM2001-20) February 12, 2001.

labor standards, are also key to expanding job opportunities and increasing real wages. In addition, as pressures on land, water and other natural resources intensify, environmental sustainability must become a stronger focus of national policies, both to protect the natural assets on which long-term growth depends and to reduce the vulnerability of poor people to environmental degradation and to natural disasters.

34. Deputies attached great importance to IDA's analytical work to help borrower countries focus on this complex agenda and identify practical policy measures for achieving broad-based and equitable growth. The following recommendations are intended to consolidate and strengthen IDA's advisory, financial and institution-building assistance in support of this effort.

Investing in People

35. Investing in poor people is both a means to, and an end of, the development process. High quality basic social services — notably, primary education, clean water and sanitation, disease prevention and treatment, reproductive health and nutrition, and basic community infrastructure — are vital for improving poor people's living standards, increasing their productivity and facilitating their emergence from poverty. Gender equality is also key to achieving better health and education outcomes and to economic development overall.

36. Beyond expanding access to basic services, a greater challenge for IDA is to help countries improve the quality, efficiency and accountability of service delivery to the poor. Deputies welcomed initiatives by IDA to address this challenge, including a sharper focus on indicators to assess performance in serving the needs of the poor, assistance aimed at improving service delivery, increased participation in country-led, sector-wide programs, and more attention to initiatives on communicable diseases and their gender dimensions. Deputies welcomed the Bank's September 2001 statement opposing the imposition of user fees on the poor for basic education and health services. They requested that IDA maintain a public record on its efforts to work with countries to eliminate existing user fees on poor people for basic education. In particular, IDA should work with borrowers to ensure that user fees do not prevent the poor from accessing basic social services.

37. **Education.** Deputies emphasized the fundamental importance of education as a means to increase productivity and improve living standards for the poor. Investments in girls' education in particular yield some of the highest returns to investment in development and should remain a focus of IDA's education effort. Universal basic education by 2015 and the early elimination of gender disparities in school enrollments are important international goals which require strong reinvestment in IDA's education activities. Deputies urged that more resources be made available for education programs in countries that have demonstrated a commitment to prioritizing education, as articulated in a clear education sector strategy, and have a proven track record of strong project management in the sector. They emphasized the importance of ensuring that education never be underfunded in countries where the sector is performing well. Deputies requested that an action plan be prepared early in IDA13, aimed at helping poor countries make faster progress towards the education-related Millennium Development Goals (MDGs) and at revitalizing the Bank's education work, consistent with the ongoing work on Education for All (EFA) and Education for the Knowledge Economy. Deputies also asked that Action Plans to accelerate Education for All be prepared for a substantial majority of active IDA countries by the

end of the IDA13 period. Deputies emphasized the need to track progress towards achieving the education goals, particularly those related to girls' education.

38. ***Health, Nutrition and Population (HNP)***. Deputies emphasized the fundamental importance of good health and nutrition in increasing productivity and improving living standards. They called for effective implementation of the World Bank's *HNP Sector Strategy* in poor countries. They noted the key strategic directions guiding IDA's support to this sector: (i) improving health outcomes for the poor and protecting the population from the impoverishing effects of illness, malnutrition, and high fertility; (ii) enhancing the efficiency and equity of health care systems; and (iii) securing sustainable health care financing in terms of resources, risk management and effective control over public and private health expenditures. They endorsed IDA's focus on HIV/AIDS, malaria, tuberculosis, and maternal and child health as critical health challenges, and they supported an approach to population and reproductive health that integrates family planning, maternal/child health, and the prevention and treatment of sexually transmitted infections. Deputies noted that strong international partnerships, notably with WHO, UNICEF and UNAIDS, were especially important in the health sector.

39. ***Countering the Challenge of Communicable Diseases, especially HIV/AIDS***. More than 40 million people worldwide are currently living with HIV/AIDS, 90 percent of whom live in developing countries and 70 percent of whom live in Sub-Saharan Africa. In a number of Sub-Saharan African countries, average life expectancy has fallen by 20 years largely as a result of this pandemic. The cost of treatment and care for people living with HIV/AIDS impoverishes many families and communities. The need for care forces potential wage earners to stay home, children to miss school, and family assets to be sold to pay for treatment. Within the next ten years there could be as many as 40 million orphans as a result of HIV/AIDS. The cost to the economy of HIV/AIDS is also massive. Health budgets have to be increased at the expense of other sectors. Government finance comes under pressure as expenditures increase and tax revenues decrease. Death and absenteeism reduce labor supply and productivity and weaken economic growth. HIV/AIDS poses a threat to the fabric of society and to the fragile and hard-won gains of poor countries.

40. Deputies endorsed the "*Declaration of Commitment on HIV/AIDS: Global Crisis -- Global Action*" adopted by the United Nations General Assembly Special Session on HIV/AIDS on June 25-27, 2001. They urged IDA to bring into the country policy dialogue the importance of HIV/AIDS and other communicable diseases and to work closely with other institutions that have responsibilities and strengths in these areas, notably WHO, and the other UN agencies cosponsoring UNAIDS. Deputies noted the strong expansion of IDA's assistance to fight communicable disease in FY01 and the contributions of the Multi-Country HIV/AIDS Program (MAP) for Africa. They stressed the importance of strengthening health care systems at the national level as an essential step for enhancing the effectiveness of disease-specific programs and the need for IDA to align its activities to national programs for HIV/AIDS and other key diseases. They encouraged IDA's selective participation in regional and global initiatives that focus on combating communicable diseases in poor countries.^{15/} They recommended that increased IDA allocations to support the fight against communicable disease should be in line

^{15/} Such initiatives include, *inter alia*: Global Forum for Health Research, Stop TB Initiative, Global Alliance for Vaccines and Immunization, Global Fund Fighting AIDS, TB and Malaria, and Global Partnership to Roll Back Malaria.

with IDA's policy of linking financing with country performance, and they endorsed the use of grants to fund HIV/AIDS programs in IDA countries (for further details on the use of grants, see Section III, Part D).

41. **Social Protection.** Deputies noted that the World Bank's *Social Protection Sector Strategy* links social protection activities — reducing the vulnerability of poor men and women and improving their ability to cope with adverse economic shocks, natural disasters, ill health and disability — to the broader agenda of poverty reduction. They emphasized the contributions to poverty reduction that could be made by eliminating harmful child labor, making labor markets more equitable and inclusive, implementing legal reforms to protect poor people's right to assets (e.g., women's property rights), and strengthening community-based coping mechanisms, including through social funds. Deputies encouraged IDA to strengthen its consultations and collaboration with international organizations, such as the International Labor Organization (ILO), in its work with countries on labor issues.

42. **Mainstreaming Gender.** Deputies welcomed the World Bank's policy research report on gender equality^{16/} and noted the SSP on Gender discussed by Executive Directors in September 2001. Deputies reaffirmed the main thrust of this strategy which aims to create an enabling environment for achieving gender equality through mainstreaming gender considerations into issues of productivity, economic growth, and poverty reduction. This should be based on country-led, locally tailored approaches. They requested that the Bank strengthen its assessments of constraints to gender equality in countries with an active IDA program.

43. Deputies recommended that IDA's approach include assessments of gender conditions, consultations with stakeholders, identification of priority actions, if any, in the PRSP, and integration of gender issues into public policies and development programs. Deputies also recommended that Management closely monitor, evaluate and report on the mainstreaming of the gender dimension in IDA's work.

Building Capacity for Improving Governance and Combating Corruption

44. Deputies reaffirmed the continued importance of the governance agenda set out in the IDA12 Replenishment Report which outlined key components of good governance, including: good public sector management and accountable public institutions; transparent policy making and implementation; clarity, stability and fairness in the rule of law; and openness to the participation of affected citizens, including the poor, in the design and implementation of policies and programs. Deputies emphasized the importance of good governance to the effectiveness of ODA in reducing poverty.

45. Deputies urged IDA to expand its support for good governance, public sector capacity building, and the fight against corruption through consistent implementation of the sector strategy on *Reforming Public Institutions and Strengthening Governance*. Deputies noted with concern the recent Bank papers on tracking of public expenditures and urged a redoubling of IDA's efforts to develop adequate public expenditure management in borrowing countries. They

^{16/} *Engendering Development-Through Gender Equality in Rights, Resources, and Voice*, World Bank, 2001, available at www.worldbank.org/gender.

stressed four key lessons for IDA's operations: broaden the approach to public sector reform, emphasizing internal rules and restraints within government, as well as "bottom-up" empowerment, transparency, and competition in public service delivery; work closely with clients to understand the situation on the ground and to design approaches that take better account of institutional realities; take a longer-term approach, selecting Bank instruments that allow time and space for institutional changes; and strengthen the Bank's in-house skills, incentives and partnerships. They also recommended that IDA help countries identify key institutional development and capacity-building needs through ESW, emphasizing analyses of countries' public expenditure, financial accountability and procurement systems and that IDA step up its efforts to help borrowers build capacity to manage, monitor and evaluate public expenditures, both to improve service delivery and to ensure full transparency and accountability for public and donor resources. Deputies noted that in the context of the performance-based allocation exercise, the quality of countries' budgetary and financial management systems is assessed as well as the efficiency of their revenue generation. As a result, these criteria will play an important role in determining the level of IDA assistance as well as in informing the policy improvements needed to trigger increased amounts of assistance.

Private Sector Development

46. Deputies supported the thrust of the World Bank Group's private sector development (PSD) strategy and endorsed its emphasis on a sound investment climate as the critical prerequisite for private sector development and sustainable poverty reduction. They underscored the need to broaden access to domestic and export markets for small and micro businesses and farmers whose productivity is key for broad-based growth. They urged IDA to move rapidly forward with implementation of a strong program of activities focused on building entrepreneurial capacity, improving market access for small producers, strengthening appropriate regulatory and supervisory capacity, and actively promoting improvements in the business environment in IDA countries. In carrying out these activities, IDA should give strong support to domestic private enterprises as the main source of employment creation. Deputies noted that Output-Based Aid (OBA) approaches hold promise to improve the delivery of basic infrastructure and other support services for private sector development, and they asked Management to review experience of OBA pilot operations in IDA countries. IDA should exploit synergies with other members of the World Bank Group, in particular IFC, to encourage innovation in support of private sector development, and devote significant resources during IDA13 to such innovative programs. Progress on these activities will be reported at the Mid-Term Review of IDA13.

47. Deputies noted that IDA's "partial risk" guarantee program fits within the context of the World Bank Group's PSD strategy and has been useful in the limited number of operations that are currently under implementation. Deputies agreed that a limited amount of IDA13 resources can be made available for IDA guarantees to allow further experience to accumulate.

Rural Development

48. Development experience demonstrates that reducing poverty requires major investments in areas where poor men and women live and in activities in which they engage. Since most of the poor live in rural areas, and agriculture often provides an engine for economic growth,

investing in rural social and economic infrastructure can be a powerful tool for creating jobs and raising incomes and living standards. Rural development and higher productivity in agriculture are therefore important. Deputies agreed that former models of integrated rural development and directed lending to agriculture had often proved wasteful and ineffective and that IDA's effort in the rural sector needed to be focused.

49. IDA's strategy should take account of the critical development role of the agriculture sector, including the role of farmers as entrepreneurs, the growing diversity of the rural economy, the need to open up and expand rural markets and build the physical and institutional infrastructure to enable this, and the farm and non-farm productivity gains which may become available through advances in technology. Deputies recommended that the Rural Development Strategy, currently under preparation, take into account regional action plans and focus on defining pro-poor, sustainable investments in rural areas and improving country-level allocations to rural poverty reduction in coordination with other development partners. Because a large share of rural populations will continue to depend on natural resource bases for the foreseeable future, IDA should provide assistance in managing these assets in order to promote sustainable livelihoods.

Protecting the Environment for Sustainable Development

50. Sustainable development, which integrates economic growth, social cohesion, and protection of environmental resources, is key to lasting poverty alleviation. Deputies stressed the importance of the upcoming Johannesburg World Summit on Sustainable Development which aims to regenerate, at the highest political level, a global commitment to sustainable development and to accelerate action to implement Agenda 21.^{17/} This should provide IDA with enhanced opportunities to work with a broad range of development partners in the pursuit of the MDGs. Deputies noted that understanding of linkages between environment, poverty and growth is still evolving in many borrower countries. They welcomed the update of the Bank's Environment Strategy.^{18/} They called for its implementation according to the schedule and milestones established in the Strategy, with particular attention to building borrowers' capacity to design and implement cost-effective environmental policies, reducing environmental health risks and poor people's vulnerability to natural resource degradation and environmental hazards, seeking opportunities for environmentally responsible private sector development to encourage the reduction of pollution and resource waste through productivity improvements, and linking local environmental improvements with the protection of the quality of regional and global commons.

51. Deputies also discussed the importance of ex ante environmental and social impact analyses to underpin "non-emergency" adjustment lending and noted that this subject is being considered as part of the current revision of the Bank's adjustment lending policy. In this context, they urged that such analyses, when relevant, become a prerequisite for "non-emergency" adjustment credits in cases where social or environmental impacts of reforms

^{17/} Agenda 21 was the principal agreement to emerge from the 1992 Earth Summit in Rio. It calls for the integration of environment and development in order to fulfill basic needs, improve living standards for all, and better manage and protect ecosystems for long-term sustainability.

^{18/} *Making Sustainable Commitments: An Environment Strategy for the World Bank*, World Bank Group, 2001, available at www.worldbank.org/environment.

supported by the credits are expected to be significant, such as may be the case for energy or water sector reforms. Deputies asked that in cases where adverse implications are shown to be significant, mitigation measures be explicitly designed as part of the preparation of such operations.

52. The mainstreaming of environmental concerns into IDA's work should be accelerated. IDA should establish a timetable for improving analytical work and implementing relevant changes in staff skills mix, training, decision tools, and incentives. As part of its regular annual budget approval process, IDA should consider allocating adequate budget for these actions, while building effective partnerships with other development partners.

53. Deputies noted that while recognizing the importance of extractive industries and natural resources to the development prospects of client countries, IDA needs to be highly selective and comply with all existing safeguards when considering assistance to these industries and other natural resource sectors, especially when projects pose environmental risk. Selection criteria should include environmental, social, financial, and poverty-reduction benefits that extractive industry projects would generate as well as evidence of host country willingness to implement natural resource management reforms and to establish appropriate safeguards for local populations. Deputies also noted the Bank's early support for the World Commission on Dams (WCD) and asked that IDA take into account the core values and strategic priorities suggested by the WCD for preparing and evaluating dam projects. Finally, Deputies reiterated that all IDA-financed projects should be in full compliance with World Bank's environmental and social safeguard policies.

Promoting Trade and Regional Integration

54. Development experience demonstrates that trade can be a powerful engine for growth and poverty reduction and that poor countries that are more integrated with international markets have grown faster than others less integrated. Better regional integration could permit many countries to surmount the obstacles posed by their relatively small sizes, realize greater economies of scale, and increase their ability to trade on a global basis, thus further enhancing growth. Yet over the past decade, the world's poorest countries, especially in Africa, have seen their share of world trade decline, and little progress has been achieved towards their effective regional integration.

55. While poor countries aim to increase and diversify their trade and engagement with the world economy, industrial nations need to encourage these efforts by enlarging access to their markets. As non-oil commodity prices have suffered steep declines that are unlikely to be reversed in the current world economic environment, expanding market access is now urgent since many of the poorest countries, especially those in Africa, still depend mainly on commodity exports. Deputies underscored IDA's willingness to help poor countries capitalize on new opportunities in the next round of multilateral trade negotiations. They supported the World Bank's involvement in the Integrated Framework for the Least Developed Countries, which aims at helping countries preparing their PRSPs to analyze options for trade integration, determine the pay-off for trade-related reforms, and design reform packages that both promote growth and protect poor men and women against adverse transitional effects of trade opening. The Integrated Framework also helps identify priorities for trade-related technical assistance.

Noting that spurring trade and regional integration requires a shared vision of economic integration among neighboring countries, Deputies welcomed the “*New Partnership for African Development*” adopted by leaders of African countries in July 2001, which sets out such a vision for the development of the continent. They encouraged IDA’s increased support and collaboration with other partners to help implement this African-owned initiative.

Fostering Recovery in Post-Conflict Countries

56. Recognizing that conflict is a development problem and remains a major obstacle to improving the lives of millions of poor people, particularly in Africa, Deputies reaffirmed that, as part of a concerted international effort of support, IDA should play an important role in the transition to a sustainable peace and to economic and social recovery, and in the provision of development assistance that can help countries become more resilient against eruptions of violent conflicts. They noted that early coordination of post-conflict assistance efforts is especially important to avoid the imposition of unnecessary burdens on already fragile government capacity and to ensure that available resources are channeled to the priorities set out in national recovery plans. Deputies reaffirmed that IDA should collaborate closely with the United Nations system given the specialized skills that the UN agencies possess and their key role in supporting the political and security framework required for humanitarian, reconstruction and development aid to be effective. Coordination among creditors is also required to ensure a concerted approach to financing and the normalization of countries’ financial relationships.

57. Deputies recommended that IDA, in such situations, should focus on early action to re-start the economy, contribute to the re-establishment of a framework for governance and policy reform, rehabilitate basic social services and key infrastructure, and help war-affected populations and communities, including support for income-generation programs, the reintegration of combatants, and other assistance to vulnerable groups such as orphans and the disabled.^{19/} Deputies underscored the importance of maintaining a focus on country performance, including transparency in government spending, with particular attention to the security sector, to ensure that development assistance is used to reduce poverty and is not diverted to military and other non-productive expenditures. They endorsed the proposal for guiding decisions on IDA’s support for post-conflict countries which balances the flexibility of a case-by-case approach with the need for a more systematic and transparent methodology.^{20/} Deputies also recommended an expanded use of grants in post-conflict countries to fund a significant portion of IDA’s overall assistance (see Section III, Part D).^{21/}

Anti-Money Laundering

58. In response to the increased threat from terrorism since September 11, 2001, Deputies urged IDA to make efforts to prevent the financing of terrorist activities. They welcomed the

^{19/} World Bank Operational Policy 2.30 “*Development Cooperation and Conflict*”, endorsed by Executive Directors in October 2000, governs the timing, composition and instruments of the Bank’s assistance to post-conflict countries.

^{20/} IDA’s allocation system for post-conflict countries is discussed in Section III and further detailed in Annex 2.

^{21/} Deputies also reconfirmed the use of limited grant financing (as authorized in IDA12) to support recovery efforts during the pre-arrears clearance phase in IDA-eligible, post-conflict countries with large and protracted arrears on the basis of the framework for post-conflict grants approved by IDA’s Executive Directors in July 2001.

joint Bank-Fund work on assessment, capacity building and training relevant to money laundering and other forms of financial abuse, Bank assistance with relevant capacity building within the framework of the Financial Sector Assessment Program (FSAP), as well as the strengthened cooperation with the Financial Action Task Force on Money Laundering (FATF) and other relevant international bodies. In this connection, the Country Policy and Institutional Assessment (CPIA) exercise will also take into account money laundering as one of the elements in evaluating financial sector policies and institutions. They stressed that IDA and other donors should help borrower countries improve the regulatory and supervisory systems for the financial sector, strengthen the legal framework for combating money laundering and similar crimes, and promote transparency and good governance principles.

Investment, Empowerment and Security

59. Deputies noted that their recommendations are broadly in line with the approach recommended in the *World Development Report 2000-2001: Attacking Poverty* which stresses that expanded economic opportunity, empowerment, and enhanced security for poor people are all central to the poverty reduction agenda. Deputies asked that the World Development Report (WDR) concepts be integrated more strongly into IDA's broadened framework for poverty reduction. The report *Attacking Poverty: Operationalizing the WDR 2000/1 at the World Bank* (May 2001) sets out IDA's role in the WDR agenda, and the Bank's strategic framework papers^{22/} emphasize the importance of building a climate for investment, jobs and sustainable growth while at the same time investing in poor people and empowering them to participate in development. In addition, the *Empowerment and Poverty Reduction Sourcebook*^{23/} provides guidance to staff on defining the Bank's approach to empowerment, on applying it to the Bank's work, and on identifying which actions should be undertaken to move the empowerment agenda forward, taking into account the Bank's mandate and comparative advantage in this field. Each of these documents reinforces the integration of a multidimensional approach to poverty into IDA's work.

^{22/} The Bank's strategic framework for the FY02-05 period is articulated in the following documents: *World Bank Group Strategic Framework*, January 24, 2001; *Strategic Directions for FY02-04*, March 29, 2001; and *Strategy Update Paper for FY03-05: Implementing the World Bank's Strategic Framework*, March 8, 2002.

^{23/} *Empowerment and Poverty Reduction: A Sourcebook*, May 1, 2002 (Draft for comment) is available at www.worldbank.org/poverty/empowerment/index.htm.

SECTION III: IDA'S COUNTRY ASSISTANCE STRATEGIES AND GLOBAL/REGIONAL PROGRAMS

60. IDA's role has been evolving along with changes in the international development environment. Considering the advent of the PRSP approach and the recognition of global and regional challenges, Deputies recommended that IDA modify how it formulates, implements and evaluates its CASs and that, in partnership with others, IDA selectively address the global and regional challenges of greatest relevance to IDA countries.

A. COUNTRY ASSISTANCE STRATEGIES

61. The CAS is a document that is prepared by IDA in collaboration with each borrower and is reviewed by IDA's Executive Directors periodically — every three years for most countries. It has evolved into the main tool for planning assistance from IDA, as well as that from IFC and MIGA, and for ensuring that the volume, phasing and composition of assistance are tailored to each country's needs and unique circumstances.

62. The CAS should be diagnostically comprehensive and programmatically selective. As noted earlier in this report, in shaping the IDA program, the CAS should take full account of the priorities that emerge from the PRSP process and should apply IDA's international experience to focus on the policies that will be most effective in promoting growth and reducing poverty. The CAS should include an assessment of each country's development priorities and plans to address them and should set forth IDA's program, taking into consideration the activities of other development partners and the comparative advantage of the World Bank Group. The CAS should make clear the trade-offs encountered in the pursuit of poverty reduction and the alternative policy options that have been discarded in the choice of the proposed strategy. Against this background, Deputies encouraged IDA to clarify the links between the PRSP-driven processes — notably borrowers' own programming and budget cycles and their aid coordination efforts — and the formulation of IDA's own assistance programs.

Alignment of CASs with Poverty Reduction Strategy Papers

63. Deputies noted that the PRSP will put forward a country's own development vision and strategy for reducing poverty along with a set of targets, monitorable indicators, and prioritized public actions for growth and poverty reduction. They agreed that this was a crucial step towards greater national ownership of development programs which is essential for increased effectiveness of external assistance. Deputies noted that preparation of a CAS would normally follow completion or updating of a PRSP, and they asked that for each IDA country, Management indicate the proposed timing of the CAS at the time of the PRSP Board discussion. Since the PRSP provides a country's policy framework covering a range of structural, social, environmental, institutional and macroeconomic policies, the CAS should draw from the country's document and set forth the business plan by which IDA will support the country's own strategy. Deputies affirmed that levels of IDA financial support and the triggers for base and high cases in the CAS should be tied explicitly to the performance-based allocation system.

Improving the Analytical Underpinnings of IDA's Work

64. At each stage of the PRSP process, governments should identify analytical gaps in understanding the linkages between poverty and social and environmental problems. IDA should work together with its development partners to fill these gaps, making sure that its Economic and Sector Work (ESW) complements the analytical work of others, including the United Nations agencies, the bilateral and multilateral institutions, the ILO, as well as researchers and government institutions in borrowing countries. In this context, it will be especially important to make good use of the Common Country Assessments (CCA) of the UN.

65. Helping governments carry out core diagnostic analyses during the PRSP process is a priority for IDA. Nevertheless, in many cases IDA will have to undertake core diagnostic analyses itself, particularly on baseline social and environmental conditions, fiduciary arrangements, and assessments of countries' readiness to make effective use of IDA resources. IDA will, however, always seek to build borrower countries' capacity to undertake such analyses and will also draw on other sources of analytical work wherever possible. In any case, each CAS should review the adequacy of country and sector analysis available from sources within the country and externally and indicate how remaining gaps are to be filled.

66. Deputies stressed the importance of two sets of core diagnostics and asked that their results be highlighted in the CAS as part of the justification for the proposed level and composition of IDA's financial and advisory assistance. These analyses should inform countries' CPIA ratings (which feed into the IDA allocation process), and areas of weakness should be identified as triggers for base- and high-case scenarios in the CAS.

- ***Social, Structural and Sectoral Analysis.*** This analysis comprises: a Poverty Assessment (PA), or equivalent poverty analysis, which looks at the dimensions of poverty and its determinants, including the analysis of poverty and social impacts of key reforms that have been undertaken or are being contemplated, and the status of poverty monitoring and evaluation systems; and a Country Economic Memorandum (CEM), or equivalent economic analysis, which focuses on structural, sectoral and institutional reform priorities for sustainable growth and poverty reduction, including the analysis of the social and environmental impacts of these reforms. These assessments or analyses also include the analysis of gender equality and labor markets (including core labor standards) and provide recommendations on the policies and institutions identified as particularly weak in the CPIA.^{24/} These analytical studies can be prepared by IDA, other donors or the country itself and can be presented as an integrative report on social, structural and key sectoral policies or as separate ESW products.
- ***Public Expenditure, Financial Accountability and Procurement Analysis.*** This analysis is comprised of a Public Expenditure Review (PER), a Country Financial Accountability Assessment (CFAA), and a Country Procurement Assessment Review (CPAR) and covers: (a) the comprehensiveness and transparency of the budget, including prospects for increased domestic resource mobilization, where appropriate;

^{24/} While labor standards have now been introduced into CPIA ratings, greater effort must be made to incorporate consideration of labor standards into country strategies and operations.

(b) the adequacy and transparency of systems for budget implementation and for procurement; and (c) the adequacy of systems for monitoring, reporting on, and auditing of public financial flows, including proceeds of budgetary support from donors. These assessments can be prepared by IDA or other donors (provided that they are of satisfactory quality and objectivity) and can be presented as an integrative fiduciary report or as separate ESW products. This fiduciary analysis should lead to action plans to address remaining weaknesses.

67. Deputies requested that each CAS be underpinned by timely and satisfactory poverty analysis, including the analysis of the poverty and social impacts of major reforms contemplated by government. They asked that where this analysis is incomplete or unavailable, the gaps be identified in the CAS and the CAS lay out a plan for their completion (either by IDA, the government, or other development partners). Deputies also requested that core fiduciary ESW be completed for a substantial majority of IDA countries by the end of the IDA13 period, according to the delivery targets set out in the Action Plan of this report (Annex 3). Deputies noted that the completion of this ESW and the support of country-led efforts to strengthen the analytical underpinning of PRSPs will constitute an ambitious agenda in IDA13, especially in the poorest countries where capacity is already strained. They noted that administrative budget allocations to ESW in recent years have been inadequate for these tasks and welcomed the significant increase in resources allocated for diagnostic ESW beginning in FY02.^{25/} In addition to ensuring that adequate administrative resources continue to be provided for ESW, Deputies asked Management to establish a timetable to ensure that core ESW is undertaken for active IDA borrowers^{26/} and to report on progress at the Mid-Term Review of IDA13.^{27/}

Selectivity and IDA Objectives

68. Deputies underscored that CASs' assessments of policies and institutions should determine how best IDA should support country efforts, taking account of countries' institutional capacity, contributions from other partners, and IDA's comparative advantage. Close collaboration with regional development banks, in particular, is especially important to achieve an efficient division of labor at the country level. There may be cases where the macroeconomic, structural and fiduciary policies of a country would warrant no IDA financial support.

Strengthening the Link between Performance-Based Allocations and the CAS

69. Deputies emphasized that IDA should continue to allocate scarce IDA resources according to country performance. They endorsed IDA's enhancements to the Performance-Based Allocation (PBA) system, as set out in Annex 1 to this report, and asked Management to

^{25/} *Strategic Directions for FY002-04, March 29, 2001.*

^{26/} "IDA borrowers" is used to refer to all countries receiving financial assistance from IDA.

^{27/} In addition to the analytical work described above, the Financial Sector Assessment Program (FSAP), a joint Bank-Fund exercise, analyzes the sensitivity of financial institutions to macroeconomic shocks; measures the depth, development and diversity of the financial system; evaluates the adequacy of legal and institutional infrastructure; assesses compliance with selected international standards; and proposes priorities for work to strengthen the financial sector. FSAPs have been carried out in several IDA countries, and, while the program pertains to industrial, IBRD and IDA countries, it is expected that approximately five FSAPs per year will be carried out in IDA countries over the IDA13 period.

report on implementation experience at the Mid-Term Review of IDA13. Deputies also endorsed the steps taken to strengthen the linkage of the PBA to CAS financing scenarios.

70. The PBA process determines the IDA allocation level for the CAS base-case financing scenario which is realized depending on whether specific policy steps (“triggers”) are achieved by the country. Deputies agreed that these triggers should address the key weaknesses identified through the CPIA which is the basic building block of IDA’s performance-based allocation. More ambitious, but realistic and objectively verifiable, performance triggers are required to move to a high-case financing scenario where the size of the envelope would be guided by the expected improvement in the CPIA. Actual financing commitments during the CAS period will thus depend on the extent to which performance triggers have been met for the different levels of IDA support.

71. Deputies urged IDA to monitor the relationship between the criteria for the CPIA, which evaluates a country’s track record in the recent past, and the JSA of the PRSP, which gauges the strength and credibility of the government’s proposed actions in the coming years. Deputies recommended that IDA make the CPIA methodology more transparent to borrowers, enhance dialogue with governments on their CPIA ratings, and analyze the feedback received. Sharing of CPIA results with borrowers and the associated policy dialogue is especially relevant for countries with weak policy performance. Deputies recommended that such countries should continue to receive only limited financial assistance from IDA, but that IDA should work to promote change and enable the actions needed to improve performance and access to IDA resources.

72. ***Financing Outside Normal Country Allocations.*** Deputies recognized that IDA’s effectiveness has been in part due to its ability to respond to extraordinary needs. For IDA13, they agreed that a number of factors continue to merit special consideration in allocating IDA resources, namely: (i) post-conflict countries; (ii) countries affected by major disasters; and (iii) blend countries. The rationale for deviating from the PBA norm is different in each case:

- **Post-conflict countries.** Several IDA countries could have large financing needs during IDA13 as they recover from armed conflict. Deputies welcomed a new framework to assist in considering IDA resource allocations to these countries and to measure their performance along policy dimensions that are most relevant to post-conflict circumstances. They endorsed the use of post-conflict progress assessments in considering future IDA resource allocations (details of this methodology are in Annex 2).
- **Response to major disasters.** Allocations to countries affected by major disasters may be temporarily increased to take account of the abnormal costs to their development as a result of the disaster and to allow IDA to contribute appropriately to an overall international response.
- **Blend countries.** Allocations are capped at a level below the norm in view of these countries’ access to IBRD and market finance and their strong development prospects. Deputies noted that the creditworthiness of blend countries for IBRD and market finance was in some instances fragile or uncertain, and access to IDA resources therefore needed to be kept under review.

73. Consistent with efforts to meet the Millennium Development Goal of halving the number of people living in poverty by 2015, Deputies requested that Management, in consultation with OED, analyze the impact of allocation caps and targets on IDA's ability to raise the maximum number of people out of poverty. They requested a report on this topic at the Mid-Term Review of IDA13.

Consultations and Disclosure

74. Deputies noted that since extensive public debate and consultations with a broad range of stakeholders should take place during preparation of PRSPs (see Section II above), the purpose and scope of consultations carried out during CAS preparation would need to be modified accordingly. CAS consultations should seek borrowers' and partners' views on how IDA can best support the program of actions set out in the PRSP and how to increase programmatic selectivity in line with the comparative advantage of partner agencies. Following such consultations, a CAS should make clear which elements of the PRSP will be supported by IDA financing and non-financing services — and under what conditions — and which will not. Deputies requested that consultations be based on written, though not necessarily final draft, documentation.

75. Deputies noted that, in the context of the World Bank disclosure policy, all IDA CASs and CAS Progress Reports are now disclosed. PRSPs and Interim PRSPs are expected to be disclosed by governments, and the Joint Staff Assessment and Chairman's Summary are made public following Board review. Deputies urged that Management move quickly to implement the revisions to the disclosure policies approved by Executive Directors in September 2001, including, *inter alia*, the release of a broad set of OED reports, consultation drafts of SSPs after Board notification, and enhanced information packages on project implementation, including coverage of items such as procurement, audits, midterm reviews, and country portfolio performance reviews. Management should continue to look for ways in which more information on IDA programs can be made publicly available. Deputies encouraged the use of voluntary learning pilots to test ways of further enhancing the information available for public consultation in borrower countries, including relevant economic and sector work underpinning the CAS and information on projects under preparation. Deputies recommended that Management report on implementation of the revised information disclosure policy at the Mid-Term Review of IDA13.

Choice of Financing Instruments

76. The CAS should set out scenarios for the volume, timing and composition of IDA's assistance and should indicate appropriate assistance instruments, taking into account consultations with borrowers and partners. Based on a country's program, as set forth in the PRSP, its fiduciary policies, and the business plan in the CAS, IDA assistance, in loan or grant form, should continue to be delivered through both investment and adjustment operations. Deputies noted that because IDA's investment projects contribute to countries' long-term development and often are a source of innovative approaches, they should remain the mainstay of IDA's financial assistance.

77. Where warranted by appropriate fiduciary arrangements (see para. 64 above) and justified by a strong PRSP and satisfactory macroeconomic performance, Deputies noted that IDA could

increase, where justified, the support it provides through Poverty Reduction Support Credits (PRSCs), consistent with the existing framework for adjustment lending — recognizing that the issue of the share of adjustment financing in total IDA financing is being considered as part of the current revision of the Bank's adjustment lending policy.^{28/} Deputies noted that PRSCs could help reduce the transaction costs associated with external financing of poor countries' development expenditures, especially if bilateral and multilateral development partners base their business plans on countries' own program cycles. They stressed that substantial programmatic lending to IDA borrowers needs to be informed by fiduciary diagnostics and should be based on a time-bound action plan to establish sound fiduciary policies and processes and demonstrated progress towards implementation of the plan. PRSCs should support strategies to bolster the sustainability of gains made.

B. GLOBAL AND REGIONAL PROGRAMS

Reducing Poverty through Global Public Goods

78. Deputies noted that IDA's role in this important area should be guided by the results of discussions by the Development Committee on the World Bank's role in the context of evolving international arrangements for financing the provision of global public goods.^{29/} Deputies considered the five areas proposed for increased Bank involvement: communicable disease, environmental commons, economic governance and financial stability, trade integration, and the knowledge revolution, and noted that IDA should complement others' efforts — for example that of the GEF in the case of the environment. Deputies underscored the urgency of action for the poorest countries where economies and societies are threatened by the spread of communicable diseases in particular. IDA should collaborate closely with other partners in this area, notably the new Global Fund for AIDS, Tuberculosis and Malaria, WHO, UNAIDS, UNICEF, other MDBs, bilateral donors, and non-governmental organizations (NGOs). Where appropriate, they called on IDA to explore explicit agreements among such entities with respect to partnerships and areas of comparative advantage.

Regional Priorities

79. **Sub-Saharan Africa.** Deputies agreed that fostering development in Sub-Saharan Africa remains one of IDA's most important challenges. They urged IDA to re-energize its commitment to increase the effectiveness of its assistance by encouraging sound economic and social policies and the building of local, national, and regional capacity in both the private and public sectors. Addressing obstacles to more rapid productivity growth in agriculture, industry, and services will be key, especially in rural areas where most of the poor live. Deputies emphasized the need to increase ownership of development programs, which the OED Review found is essential for increased development effectiveness. In this regard, Deputies welcomed the *New Partnership for African Development* launched by leaders in the region to define African priorities and to redefine relationships with Africa's partners. Deputies requested that Management work to align its regional strategy for Africa to this African initiative. In particular, IDA, together with other external development partners, should support efforts to improve

^{28/} *Fighting Poverty and Strengthening Growth in Low-Income Countries*, DC2001-001, April 18, 2001.

^{29/} *Poverty Reduction and Global Public Goods -- A Progress Report*, March 20, 2001.

governance, reduce capacity limitations that may inhibit effective use of resources, and hasten and sustain post-conflict recovery of the many countries in the region that are affected by conflict. Deputies welcomed recent performance improvements and increased IDA support to many African countries and recommended that Africa's share should reach 50 percent of IDA13 commitments as long as the performance of individual countries warrants it. They also asked that the regional distribution of IDA commitments and disbursements continue to be monitored and reported annually to the Executive Directors.

80. **Asia.** Deputies recognized that the greatest concentration of poor people in the world lives in Asia and that in many parts of this region social indicators are worse than those found in Africa. A number of countries in Central and South Asia risk being negatively affected in the international campaign against terrorism and the resulting uncertainty and flows of refugees. Deputies noted that countries in Asia, a number of which have made good progress in integrating with international markets, could be particularly hurt by worsening prospects for global trade growth and reduced investor confidence.

C. IDA ELIGIBILITY

81. Eligibility for access to IDA resources is governed by two basic criteria: a country's relative poverty (as measured by per capita income) and its lack of creditworthiness. In order to receive IDA resources, a country must also be pursuing sound policies to promote growth and reduce poverty. Deputies recommended that the income cutoff be maintained at the same real level as in the previous four replenishments: a 2001 per capita Gross National Income of \$875.^{30/} They also recommended retaining the exception to this cutoff for small islands that have limited creditworthiness for IBRD borrowing, noting the exceptional vulnerability of these economies to external economic shocks and disruptive natural disasters.

D. TERMS OF IDA FINANCING

82. Deputies discussed in depth the potential benefits and risks of softening the terms of IDA's assistance to the poorest and most vulnerable IDA countries. They recognized the advantages of increasing the concessionality of the financing used to address the hardships facing these countries and endorsed an expansion in the use of IDA grants during the IDA13 period, in the range of 18 to 21 percent of overall IDA13 resources. Deputies provided the Executive Directors and Management with guidance in determining the use of grants, emphasizing the need for flexibility in the management of grants, the importance of countries' policy performance in determining the overall IDA allocation of which grants are a part, and the primary role of the PRSP and the CAS in setting the priorities for the use of grants, as for all of IDA's support.^{31/}

^{30/} Effective July 1, 2002.

^{31/} See Annex 6 for a summary of Deputies' guidance on the uses for IDA grants as well as estimations of the share of total grants needed for each category.

83. ***The Poorest IDA-Only Countries.*** Deputies recommended that in countries with an average annual per capita income of less than or equal to a dollar a day (GNI of \$360), up to 23 percent of the IDA allocation for countries in this category be delivered in the form of grants. They stressed that grants, like other IDA support, should be guided by country performance in implementing PRSP priorities, as assessed and endorsed by the Bretton Woods Institutions, and noted that investments in improving education, health and the provision of clean water and sanitation would be an important aspect.

84. ***Debt-Vulnerable Poor Countries.*** Deputies noted that a number of the poorest countries may remain susceptible to renewed debt problems, even after the completion of all available debt reduction processes. To assist countries in coping with such vulnerability, they recommended that additional grant support, up to 40 percent of their IDA allocation, should be provided to debt-vulnerable countries.^{32/}

85. ***Post-Conflict Countries.*** In view of post-conflict countries' vulnerability during the early stages of reconstruction, Deputies recommended an expanded use of grants, up to 40 percent of their IDA allocation, for a limited period, to establish the main functions of governance and to rebuild basic infrastructure once arrears have been cleared.^{33/} Deputies also recommended in the post-conflict context that grants could be made available, in special cases, to territories within member countries that are under UN administration on an interim basis. Post-conflict grants will continue to be available, under the framework approved by the Executive Directors in IDA12, to support recovery efforts during the pre-arrears clearance phase in IDA-eligible countries with large and protracted arrears. Deputies noted that the use of grants should be guided by the Bank's existing policies, including the use of Transitional Support Strategies, in post-conflict countries.

86. ***Natural Disaster Assistance.*** Deputies recommended that IDA grants be provided to finance up to 100 percent of specific reconstruction efforts in IDA-only countries that have suffered an exceptional natural disaster such as a major flood or earthquake or a severe and prolonged drought. Providing grants in these instances can slow the build-up of unplanned debt for emergency reconstruction and can help offset the loss of productive capacity that these events often cause.

^{32/} For the purpose of allocating IDA grants, a "debt-vulnerable country" is defined as a country with a per capita income under less than or equal to \$360 and an expected long-term NPV debt/exports ratio of 150 percent or above, after all possible debt relief options have been exhausted. In special country cases, where there is high export concentration (i.e., where three products account for over 60 percent of exports), the debt vulnerability threshold is an NPV debt/exports ratio of 120 percent.

^{33/} Countries are eligible for post-conflict grant assistance according to the same criteria that determine access to exceptional post-conflict IDA allocations (see Annex 2, paras. 5-6).

87. ***HIV/AIDS Programs.*** Deputies noted that the HIV/AIDS pandemic poses an exceptional threat to many poor countries' growth and, in some cases, to the social fabric of these countries. Given the severity of the problem worldwide, Deputies recommended that grants be provided to finance up to 100 percent of HIV/AIDS programs in IDA-only countries, and that in blend countries grants be provided to finance up to 25 percent of IDA-supported HIV/AIDS programs. Deputies recommended that grants be provided to fully finance regional HIV/AIDS projects, subject to the availability of resources. They also recommended that grants for regional initiatives, while important in some circumstances, should not take precedence over grant resources for national programs. In providing grants for HIV/AIDS programs, Deputies urged IDA to develop partnerships with other international organizations and bilateral donors active in this field and to work on the basis of country-owned strategic plans where available.

88. Deputies asked that clear guidelines be developed to govern the use of grants in IDA's operations. They underscored that IDA financing in the form of grants must meet the same requirements of IDA's Articles of Agreement as to purposes, use of resources and conditions of financing as apply to IDA credits. As the Executive Directors and Management work to operationalize the expanded IDA13 grants mandate, they will apply normal Bank policies and procedures, as appropriate, to development grants.

89. ***Financing the Provision of Grants.*** Deputies stressed that the impact of grants on IDA's finances should be explicitly treated in IDA's financial framework and that the costs should be specifically compensated for by additional donor contributions in order to maintain IDA's financial integrity into the future. They emphasized that providing resources in advance of the sharp rise in IDA13 grant costs in future decades would help to assure IDA's continued capacity to provide assistance to the world's poorest countries. Deputies recommended, as an initial step, that SDR 100 million in resources be provided for this purpose from the IDA12 carryover, and that further resources be made available from encashment schedules and from additional voluntary contributions. They also agreed that at the IDA13 Mid-Term Review they would discuss financing options and decide at that time on an equitable mechanism to provide for grant financing requirements.^{34/}

90. Deputies requested that the IDA13 grants program be assessed over the course of the replenishment period and that Management prepare an interim implementation report for Deputies' consideration at the IDA13 Mid-Term Review, including further analysis of implications for IDA's finances.

91. In addition to increasing IDA's concessionality for the most vulnerable IDA borrowers, Deputies recognized the need to reduce IDA's concessionality for those borrowers that are capable of servicing debt on harder terms. Along these lines, Deputies agreed that it would be reasonable to introduce somewhat less concessional lending terms for borrowers that are IDA-eligible on an exceptional basis despite their per capita incomes' being above the eligibility threshold.^{35/} This provision would not apply to the small islands that have exceptional access to

^{34/} All additional donor contributions for this purpose will be reported separately from contributions towards IDA13 commitment authority and will be taken into account in Deputies' decisions regarding meeting the ongoing cost of IDA13 grants.

^{35/} This arrangement would supersede the accelerated repayment provision introduced in IDA11.

IDA (see para. 81). Deputies noted that the introduction of harder terms for exceptional-access countries would strengthen IDA's role as a transitional instrument towards normal credit access by facilitating a phase-out of the subsidy embodied in IDA lending. Deputies requested that Management report on the implementation of the new terms at the IDA13 Mid-Term Review. They also noted that further consideration would be given at that time to the possibility of hardened terms for "notional" blends.^{36/}

E. Continuing Support for the Enhanced HIPC Debt Initiative

92. Deputies reiterated their strong support for the HIPC Debt Initiative and the enhanced framework which is providing broader, deeper and faster debt relief to the world's poorest and most indebted countries. Reaching and maintaining debt sustainability remains important to the achievement of long-term development goals. They emphasized the importance of closely linking HIPC debt relief with countries' poverty reduction efforts through the PRSP process. They noted the progress that had been made in the implementation of the enhanced HIPC Debt Initiative since its adoption at the beginning of IDA12 and that IDA debt relief was being provided to all eligible HIPCs.

93. The impact of HIPC debt relief on IDA's finances was reviewed. Deputies reaffirmed the basic HIPC principle that debt relief should not reduce IDA's capacity to support poverty reduction and development and should be additional to other IDA assistance. It was recognized that several HIPC countries still had significant IBRD debt outstanding and that donor funding of the HIPC Debt Initiative Trust Fund was required. Deputies endorsed, on a limited basis, the continued use of IDA debt relief grants and debt relief credits in the context of the HIPC Initiative and agreed that the cost to IDA of debt relief to countries with IBRD debt during IDA12 and IDA13 would be taken into account as an additional need in the determination of IDA13 funding requirements.

94. Resources currently pledged to the World Bank component of the HIPC Debt Initiative Trust Fund can reimburse IDA only through IDA13 for the cost of HIPC debt service relief. Deputies agreed that the financing of IDA's HIPC debt service relief costs, which are estimated to average close to \$500 million per year over the IDA14-16 period, will be addressed in 2004 at back-to-back meetings during the IDA14 replenishment discussions.

95. Deputies stressed that the long-term debt sustainability of IDA borrowers needs to be kept under review, although they noted the large reductions in debt stock and debt service achieved by the HIPC initiative. Despite the high level of concessionality of IDA lending, IDA countries still need to be concerned that the growth of debt does not exceed their debt service capacity. Correspondingly, IDA needs to ensure that new lending does not lead to unsustainable debt burdens, taking into account each borrower country's macroeconomic situation. To assist in this regard, Deputies endorsed the use of IDA grants in very poor IDA-only countries that face long-term debt sustainability problems, as discussed above. Deputies requested that debt sustainability be kept under close review by Management and that an update on the issue be provided as part of the IDA13 Mid-Term Review.

^{36/} "Notional" blends are borrowers that have a capacity or history of market-based borrowing and a per capita income below the IDA eligibility threshold, and which are currently unable to borrow from IBRD due to marginal or deteriorated creditworthiness.

SECTION IV: MONITORING AND EVALUATION OF IDA13

96. Development experience demonstrates the importance of defining specific, realistic, monitorable and measurable goals and benchmarks against which aid programs can be evaluated. Drawing upon OED's Review of IDA, Deputies underscored the need to develop indicators to evaluate progress of IDA programs at the country and global levels and to ensure their coherence with the Millennium Development Goals.^{37/}

Development Outcome Indicators

97. Deputies reaffirmed that the indicators for monitoring and evaluating IDA13 should be grounded in the framework of the MDGs and other international targets agreed at UN conferences. As discussed in Section I of this report, Deputies recommended that Management put in place a system to measure and monitor development outcomes and to link these outcomes to all IDA country programs and projects.^{38/} At the country level, the PRSP should include key economic growth and poverty-reduction performance objectives as well as intermediate targets. The CAS, which is informed by the PRSP, should aim to include, *inter alia*: (a) well designed outcome indicators, including relevant country-specific MDGs, with baseline data; (b) an articulation of the outcomes expected from CAS-supported policies and projects; and (c) an assessment of the systems and capacity to monitor progress. In addition, Deputies recommended that Management include outcome indicators more systematically in IDA operations.

98. At the global level, reporting on progress toward the MDGs and other priorities should be done in conjunction with other partners. Based on the set of indicators that have been presented in the UN Road Map,^{39/} a number of international agencies take responsibility for monitoring progress toward the goals, and reporting is done jointly. IDA should continue to contribute to the monitoring of poverty incidence, inequality (including that related to gender), and other social indicators in poor countries by working closely with the UN. Deputies requested that Management provide a report on both global and country-specific progress toward these longer-term objectives at the Mid-Term Review of IDA13.

Monitoring, Reporting and Evaluating Progress on IDA13 Commitments

99. ***Institutional Arrangements.*** Deputies recommended that the IDA13 Replenishment Report be made publicly available and that IDA mandates be translated into operational guidelines as appropriate. Management should assign internal responsibility for monitoring and implementation of these undertakings and reinforce accountability for policy compliance.

^{37/} In addition to the OED Review of IDA, the need for improvements in performance evaluation has been highlighted in other reports, including *the FY01 Annual Report on Portfolio Performance* (ARPP); various country operations assessments by the Quality Assurance Group (QAG), and *2000 Annual Review of Development Effectiveness: From Strategy to Results* (ARDE), OED, January 2001.

^{38/} See paras. 22 and 23 in Section I.

^{39/} The report of the UN Secretary General, *A Road Map towards the Implementation of the United Nations Millennium Declaration*, September 6, 2001, contains a revised set of development goals, targets and indicators.

Deputies asked Management to report on implementation of this directive at the IDA13 Mid-Term Review.

100. **Bank-Wide Reporting.** Deputies recommended that IDA Management continue to report regularly to the Executive Directors about its progress and achievements in the poorest countries. They also welcomed the recent attention in the *Annual Reviews of Development Effectiveness* to IDA's contributions and to the key issues confronting the poorest countries and looked forward to continuing attention to these issues by OED. Similarly, the *Annual Report on Portfolio Performance* should continue to highlight changes in the quality of IDA's portfolio of ongoing projects. It should also evaluate portfolio management since successful implementation of IDA-financed projects is a key indicator of ultimate development outcomes and impact in the poorest countries. Deputies attached particular importance to the PRSP implementation progress reports. They requested annual reports on public expenditure management and associated actions. They also underscored the importance of annual reports that cover implementation of the Bank's new environment strategy and periodic reports on progress in reducing poverty. They looked forward to reports on progress in mainstreaming gender.

101. **CAS Retrospective and SSP Stocktaking.** Deputies noted that the next *CAS Retrospective and Outlook Report* would be prepared in July 2002 and about every two years thereafter. These reports will periodically examine how IDA interventions are helping countries attain their poverty reduction goals, including through the design and monitoring of outcome indicators. Deputies also noted the report *Sector Strategy Papers: Stocktaking and Future Directions*, which was prepared in September 2002, and which evaluated the strategic relevance, analytic quality and operational efficiency of SSPs, and set out future directions. They asked that a Stocktaking Paper also be prepared periodically to report on progress in implementing the sector strategies.

102. **IDA13 Action Plan.** A summary of Deputies' actionable recommendations appears in Annex 3 of this report. This matrix will serve as a tool for tracking the implementation of Deputies' recommendations during the IDA13 period.

103. **Mid-Term Review.** Deputies recommended that a meeting of IDA Deputies and borrower representatives be held in 2003 to take stock of the implementation of the second part of IDA12 and to evaluate progress in implementing the IDA13 undertakings which include, *inter alia*, progress towards the Millennium Development Goals, the development of a results-based performance management system, and experience with the expanded use of IDA grants.

104. **Implementation Reporting.** Deputies requested that a report be provided to the Executive Directors covering IDA commitments and disbursements (including reviews of lending to blend countries, and regional and sectoral distribution of IDA's financial assistance) and funding for the IDA13 period at the end of each fiscal year. Deputies also requested that by December 2005, Management prepare a report reviewing the implementation and results of the activities undertaken during the IDA13 period.

Role of Borrowers and Other Development Partners in Monitoring and Evaluation

105. Deputies encouraged IDA to broaden the participation of borrowers, development partners, and civil society in the monitoring and evaluation of IDA's assistance programs. Deputies recommended that Management determine the best way — depending on country circumstances — to ensure ongoing feedback and to engage partners in monitoring and evaluating the performance and development outcomes of IDA country programs. They noted that client surveys and feedback gathered through participatory processes associated with PRSPs and CASs could be a cost-effective way to involve borrowers and other partners in assessing the performance of IDA programs.

106. Deputies will continue to engage borrowing countries in setting and reviewing replenishment commitments through, *inter alia*: (a) public disclosure of background documents for discussion of IDA policy issues throughout the replenishments as well as the release of a draft of the Deputies' report for public comment; (b) participation of representatives of borrowing countries in the discussion of IDA policies; (c) consultations with NGO, private sector and civil society representatives from IDA borrower countries; and (d) surveys of stakeholders to seek feedback on IDA's policy framework and operations. Deputies welcomed the fact that the involvement of borrower representatives and the disclosure of replenishment documents related to IDA13, including on the World Bank website, had encouraged broader discussion and understanding of IDA's mission.

IDA14 Chairperson

107. Deputies agreed that, at the time of the 2002 Annual Meetings, they would undertake an informal process to select a chairperson on a consensus basis for the IDA13 Mid-Term Review and the IDA14 Replenishment. In order to facilitate the selection of the best qualified chairperson, Deputies are invited to propose candidates with appropriate experience before the 2002 Annual Meetings. The President of the Association may also propose a candidate for consideration from among officials of the World Bank Group.

SECTION V: MANAGING IDA'S FINANCIAL RESOURCES

108. Deputies recommended a replenishment in the amount of SDR 18.1 billion consisting of new donor contributions in the amount of SDR 10.0 billion, a carryover of donor resources from the previous replenishment in the amount of SDR 0.2 billion, transfers from IBRD net income (if available) in the amount of SDR 0.7 billion, and commitments against IDA's internal resources in the amount of SDR 7.3 billion. Deputies recommended that, as an interim measure, SDR 100 million from the IDA12 carryover should be set aside towards the financing of the long-term cost of IDA13 grants.

109. Deputies noted that there might be a need for additional resources, potentially of up to SDR 2 billion, for a number of IDA borrowers as a consequence of the September 11, 2001 events and the global slowdown. To meet such needs, donors may provide special supplemental contributions on terms to be agreed with the Association including interest-free loans which may be converted into contributions in the context of future replenishments. Deputies noted that some donors might make early decisions on such questions while others might re-assess their position at the IDA13 Mid-Term Review. In addition, Management may recommend to the Executive Directors an adjustment to the IDA13 commitment authority framework to increase the use of internal resources during IDA13 to meet such special needs.

Prospective New Members and Donors

110. Deputies welcomed Singapore to the IDA13 discussions as a new donor. Singapore is in the process of applying for IDA membership and plans to contribute to IDA13. Deputies noted that Barbados became a contributor in IDA12 and that the Bahamas, which is in the process of becoming an IDA member, intends to contribute in IDA13. They also noted that, in their view, there are still a number of countries that have the economic capability to contribute to IDA but have not yet done so. These include Bahrain, Brunei Darussalam, Chile, Cyprus, Qatar and the United Arab Emirates. The indicative share and level of contributions from these prospective donors as well as their per capita income are shown in Annex 4. Deputies agreed that they and Management should continue to encourage these high-income countries not yet contributing to IDA to become IDA donors.

Commitment Authority and Risk Management

111. Deputies noted progress in strengthening IDA's financial management framework in the wake of the decision by the international community to move forward with the implementation of the enhanced HIPC Initiative (in the fall of 1999). During the ensuing two years, IDA Management constructed a long-term financial projections model to assess the impact of the provision of HIPC relief on IDA's finances and to provide a sound and transparent basis for financial management decision making. As a result, a new investment policy was designed and implemented to match the duration profile of IDA's liquid assets to that of its projected liabilities. IDA's foreign exchange risk assessment and mitigation processes were strengthened as well. Looking forward, Deputies welcomed Management's commitment to refine these tools to assess and manage financially significant policy decision such as the potential impact of changes in IDA's terms, including the use of grants. They reiterated their request that IDA's

financial resources be managed carefully to ensure that IDA's financial capacity remains strong and on a financially sustainable path.

112. IDA's commitment authority for new financing is derived from donor contributions, IBRD net income transfers, and internal resources.^{40/} Deputies noted that repayments of outstanding credits constitute the largest component of internal resources. They stressed the importance of this reflow mechanism in the context of IDA's role primarily as a lending institution. They also reaffirmed the high priority they attach to continued and substantial transfers from IBRD net income to IDA, as authorized annually by IBRD's Board of Governors. Deputies endorsed IDA's existing practice of using internal resources to complement donor resources to maximize IDA's commitment authority.

113. Deputies reviewed IDA's financial management framework. They noted the implementation of a new investment policy and additional measures to mitigate IDA's financial risks. These financial risks are of three types:

- Potential currency mismatch: This risk may occur when the SDR value of donor contributions declines between the period of commitment and encashment of these contributions because of currency fluctuations. A new currency rebalancing mechanism was implemented to eliminate this by using IDA's liquidity to bring the currency composition of IDA's total resources closer to the SDR.
- Delays in repayments by borrowers which could affect the level of advance commitment authority: to manage this risk advance commitment levels are reviewed annually, ensuring that such commitments are fully consistent with borrower repayments.
- Disbursements of IDA resources could be faster than anticipated which could necessitate faster drawdowns of liquidity and/or faster encashment of donor pledges. To mitigate this risk, disbursements are monitored, and encashment schedules are periodically revised and made available to donors in order to ensure that IDA's liquidity needs are met.

114. Deputies agreed that Twelfth Replenishment funds carried over into the Thirteenth Replenishment will be administered under the terms of the Twelfth Replenishment with respect to financial management matters such as payment, encashment, and allocation of voting rights. For ongoing operational matters such as commitment authority and procurement eligibility for as-yet-uncommitted funds, Thirteenth Replenishment terms, conditions and procedures will apply.

Replenishment Size, Burden Sharing and Pro Rata Provision

115. Deputies acknowledged that the challenge of each replenishment is to reconcile two core objectives. First, the replenishment must be adequate in size, and second, it must be achieved within an acceptable burden-sharing framework. Deputies noted that adjusted GNP remains a useful point of reference for IDA shares but that it cannot be followed rigidly as the basis for determining replenishment shares. They agreed that flexibility on the part of each donor is

^{40/} Internal resources include reflows, investment income, and other non-donor resources.

necessary for a successful outcome of the replenishment. In that context, they observed that in the past, and again in IDA13, a few donors have made contributions in excess of their adjusted GNP shares and that these donors have therefore contributed significantly to the successful completion of the replenishment.

116. Deputies proposed that IDA13 donor contributions reach SDR 10.02 billion. Commitments (subscriptions and contributions) shown in Table 1, Annex 5 reflect the agreement among donors.

117. Since the Fifth Replenishment donors under the *pro rata* provision have had the ability to restrict the use of part of their contributions subject to any shortfall in contributions from the United States. The Deputies have reviewed the effectiveness of this provision from time to time and recognize that its usefulness in encouraging timely contributions is limited. Nonetheless, the Deputies agreed to retain the *pro rata* provision for IDA13 because some donors feel that this provision is an important element of equity and burden sharing among IDA donors.

Effectiveness and Advance Contribution Scheme

118. Deputies recommended that donor financing for IDA13 be made subject to an effectiveness condition similar to that used under previous IDA replenishments. The purpose of such a condition is to ensure that most donor financing, including contributions by major donors, is in place on time. The delay in coming to closure in the IDA13 replenishment negotiations has resulted in budget process difficulties for some donors. To accommodate those difficulties and at the same time avoid delaying the effective date of the replenishment, the trigger for IDA13 effectiveness has been lowered to deposit of Instrument of Commitments by countries whose subscriptions and contributions total 60 percent (rather than 80 percent) of total contributions.

119. Some donors' budgetary and legislative timetables permit them to make their contributions at an early stage in the fiscal year. In past IDA replenishments, some donors agreed that a share of their contributions could be used before the replenishment became effective. The Deputies recommended that such a voluntary advance contribution scheme be established for IDA13 and that it become effective upon receipt of Instruments of Commitment by donors accounting for 20 percent of total donor contributions. Instruments received from contributing members prior to the effectiveness of the replenishment will be deemed applicable toward the advance contribution scheme unless the contributing member specifies otherwise in the Instrument of Commitment.

Contribution Procedures

120. Deputies recommended that the contribution and payment arrangements for donors continue as in previous replenishments. They recommended a target effectiveness date for the replenishment of December 15, 2002. Donors will provide their contributions in the form of cash or notes in three equal annual installments. The first installment will be paid no later than January 15, 2003, or 31 days after the replenishment becomes effective, whichever is later, except for advance contributions which will be paid as specified by IDA after the advance contribution scheme becomes effective. The second installment will be paid no later than January 15, 2004, and the third installment no later than January 15, 2005.

121. **Encashment.** Donor contributions will be encashed on an approximately *pro rata* basis among donors (Attachment III of the IDA13 Resolution). Donors may, with the agreement of management, adjust their encashments to reflect their legal and budgetary requirements. Deputies agreed to indicate any special preferences in this regard to Management when donors deposit their Instruments of Commitment. Deputies recognized that the timing of encashments affects IDA's resource base. They agreed that in exceptional cases, should unavoidable delays occur, IDA's encashment requests to the affected donor are expected to be adjusted to take into account any past payment delays by that donor and any related lost income to IDA. IDA may also agree with any member on a revised encashment schedule that yields at least an equivalent value to IDA.

122. **Valuation of Contributions.** Deputies agreed that donors can denominate their contributions in their respective national currencies, in SDRs or, with the approval of the Association, in any convertible currency of another member country. For the purpose of establishing the equivalence of value among different currencies and the SDR, donors agreed to use the average daily exchange rate for the period April 1, 2001, through September 30, 2001. To help maintain the value of contributions from donors with high inflation rates, contributions from donors with domestic annual inflation of 10 percent or higher in 1998-2000 will be denominated in SDRs.

123. **Reporting of Contributions.** Deputies requested Management to report regularly to the Executive Directors on the status of each donor's commitment and actual contributions to IDA and to include this information in the Annual Report of the World Bank and other publications as appropriate.

Voting Rights

124. Deputies noted that votes on account of contributions to the Interim Trust Fund were allocated as of May 28, 2001 when the Interim Trust Fund was terminated and its resources transferred to IDA. They agreed that the existing IDA voting rights system continue for the IDA13 period.

SECTION VI: RECOMMENDATION

125. The Executive Directors recommend to the Board of Governors the adoption of the draft IDA13 resolution attached as Annex 5 to this report.

IDA'S PERFORMANCE-BASED ALLOCATION SYSTEM

INTRODUCTION

1. There is consensus in the development community that the quality of a country's policies and institutions is critical for its chances to achieve economic growth and poverty reduction. Accordingly, Deputies recommend that Management continue to use the performance-based allocation system (PBA) for the distribution of IDA resources funds during the IDA13 period.
2. This annex provides an overview of the PBA system and highlights the enhancements that were agreed during the IDA13 deliberations.^{41/}

PBA OVERVIEW

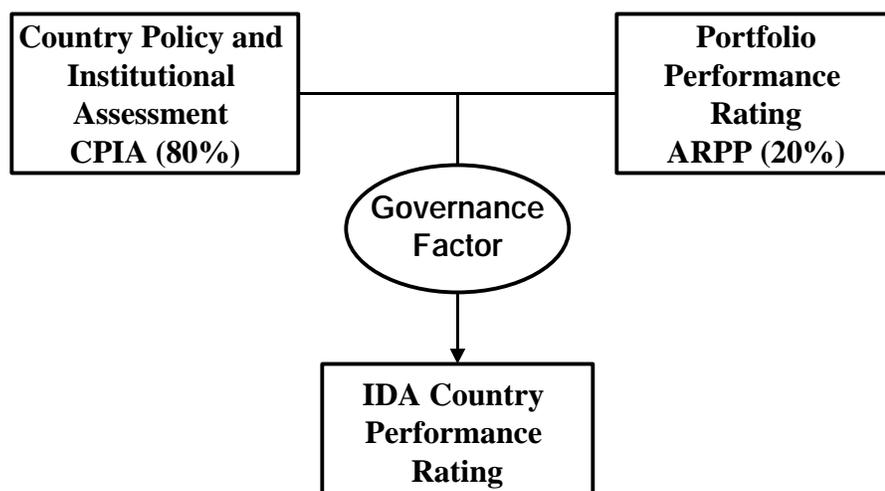
3. The Bank conducts an annual performance assessment for its borrowing countries. The exercise, known as the Country Policy and Institutional Assessment (CPIA) assesses a country's present policy and institutional framework for fostering poverty reduction, sustainable growth and the effective use of development assistance. It includes twenty equally weighted criteria which are grouped in four clusters: economic management; structural policies; policies for social inclusion and equity; and public sector management and institutions (for a listing of the criteria see Attachment 1).^{42/} Steps are taken to ensure that assessments are consistent within and across regions. This is accomplished, firstly, by detailed questions and definition of typical ratings for specific country situations, secondly, through the specification of 'benchmark' countries whose ratings are agreed institutionally at the outset of the exercise, and then by a process of institutional review of all country ratings before they are finalized.
4. The CPIA underpins IDA's Performance Rating but is not its only determinant. Two additional process steps are included. First, to capture the important dimension of quality of development project and program management, the Bank's Annual Report on Portfolio Performance (ARPP) is used to determine a score for each country's implementation performance. On the basis of these measures, a weighted average rating is calculated of the

^{41/} For a more detailed description, see the IDA13 paper *Linking IDA Support to Country Performance – Recent Experience and Issues*, IDA, January 30, 2001. For information on the subsequent evolution and results of the system, see *Linking IDA Support to Country Performance – Third Annual Report on IDA's Country Assessment and Allocation Process*, April 30, 2002 (available at www.worldbank.org/ida/PBA2002.pdf).

^{42/} For the full CPIA 2001 Questionnaire, see www.worldbank.org/ida/cpiaq2001.pdf.

CPIA (80% weight) and the ARPP measure (20% weight). Second, this rating is multiplied by the “governance factor” to produce the country’s IDA Performance Rating (see [Chart 1](#)).

Chart 1- IDA Country Performance Rating



5. The governance factor is derived from the country’s average rating for seven governance criteria that are part of the PBA system.^{43/} The factor is calculated by dividing the average rating on these seven criteria by 3.5 (the mid-point of the range) and applying an exponent of 1.5 to this ratio:

$$\text{governance factor} = (\text{governance rating} / 3.5)^{1.5}$$

The country’s overall rating is multiplied by this factor, resulting in an increase or decrease of the rating, depending on the degree to which the country’s governance rating is satisfactory - above 3.5 - or unsatisfactory - below 3.5 (see also para. 13).

6. IDA’s resources are allocated on the basis of the IDA Performance Rating (PR) – ensuring that good performers get a higher share of IDA’s available resources – and, to a lesser extent, GNI per capita:^{44/}

$$\text{Allocation/Cap.} = f (\text{PR}^{2.0}, \text{GNI/Cap.}^{-0.125})$$

The allocation norm establishes the financial resources available for each IDA country for the following three fiscal years. The allocation sets the resource envelope that each country could expect to receive if its performance stays the same and assuming a pipeline of quality projects –

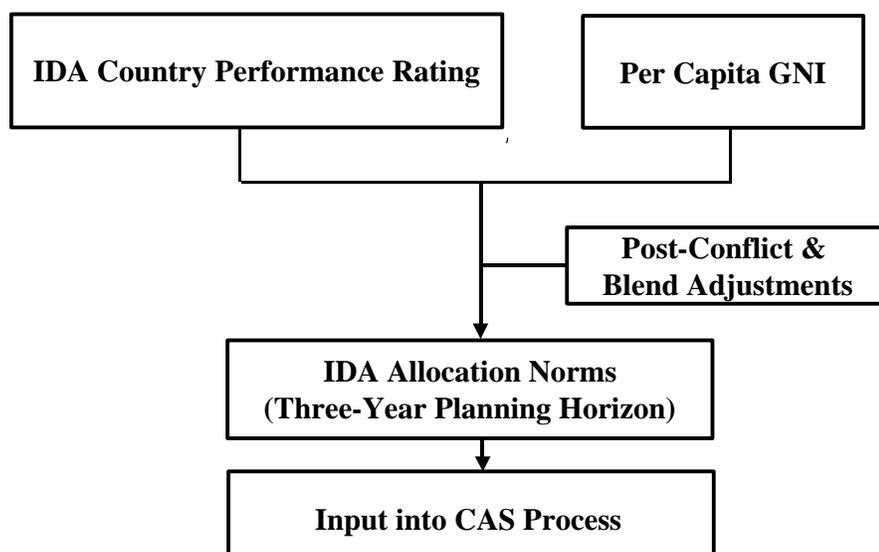
^{43/} The seven criteria include six governance-related CPIA criteria (4 and 16-20, see [Attachment 1](#)); plus the procurement practices criterion included in the ARPP rating.

^{44/} The operational impact of the weight of poverty (as a proxy measured by GNI/cap) in this equation will be assessed at the IDA13 Mid-Term Review.

but is not an entitlement. In the case of a new CAS, the allocation norm will set the base-case financing scenario (see [Chart 2](#)). Since, at the typical performance levels, a country's performance, as measured by the IDA rating, rarely improves by more than 15% over a 3-year period, the high-case scenario will normally be expected to be no more than 30% above the base case. The CAS financing scenarios may be adjusted to reflect special country circumstances, which will be spelled out in the CAS.

7. In addition to their performance-based allocations, all countries are allotted a basic allocation of SDR 3 million (about \$ 4 million). In terms of per capita allocations, this benefits in particular the small states. There are some considerations that merit exceptions to the allocation norms. First, "blend" countries with access, or potential access, to IBRD receive less than their norm allocation due to their broader financing options. Second, post-conflict countries can, when appropriate, be provided with additional resources in support of their recovery and in recognition of a period of exceptional need (see Annex 2). And third, additional allocations may be provided in the aftermath of major natural disasters.

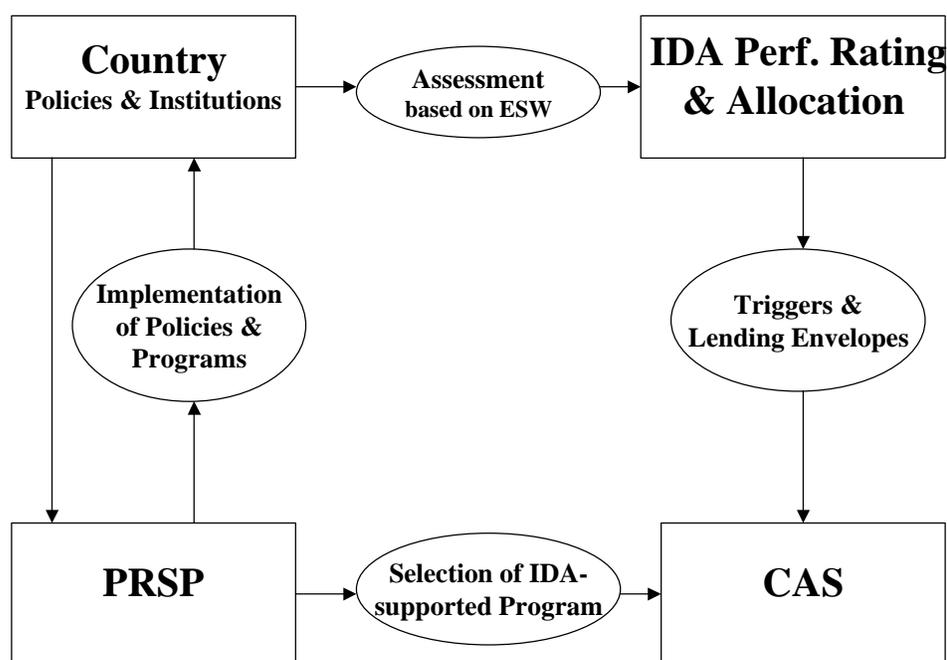
Chart 2 - IDA Allocation Norms



8. As the PRSP becomes a full-fledged strategic document of the country, the CAS becomes in essence IDA's business plan in support of the country's poverty reduction strategy, selectively supporting country poverty reduction goals on which IDA agrees and is best placed to make a contribution. The selection of the IDA-supported program from that of the PRSP will increasingly be influenced by the IDA's performance assessment in *three* ways. First, the implementation of the PRSP's policies will be expected to be reflected in the country performance ratings, and thereby in the base-case IDA allocation envelope. Second, as a diagnostic tool, the CPIA can indicate areas where attention needs to be focused and thereby influence the focus of the IDA-supported program in terms of financing and non-financing activities; for example, the CPIA influences the ESW work program which may have an impact on the PRSP and, in turn, IDA's assistance program and future CPIA results. Finally, triggers

for the financing scenarios in the CAS are being increasingly focused on policies and institutions that are shown to be weak in the CPIA. In the case of a CAS under implementation, the country rating will inform the judgment about whether triggers have been met in order to move the country into the high or low case. Chart 3 summarizes the links between the borrowing country and its PRSP on the one hand, and IDA's Country Performance Rating/LSR and CAS on the other hand.

Chart 3-PRSP, IDA Performance Rating, & CAS



IDA13 PBA ENHANCEMENTS

9. The system described above incorporates the following enhancements agreed in the context of the IDA13 discussions. They concern: (i) the IDA Country Performance Rating; (ii) the focus on governance; and (iii) the allocation formula and are further explained below.

IDA Country Performance Rating

10. During the Spring of 2001, the CPIA criteria and their definitions were subjected to a thorough review.^{45/} This resulted in a number of enhancements^{46/} including: (i) sharpening the

^{45/} For the CPIA 2002 exercise, the 2001 criteria definitions were broadly maintained.

^{46/} For a detailed summary see the IDA13 background paper *Status Report of the World Bank Working Group on CPIA 2001*, World Bank, May 17, 2001.

criteria, especially with respect to public expenditures, financial management, and procurement practices (criteria 8,12 and 17); (ii) including the question of crowding out development expenditures with nonproductive expenditures in public expenditure reviews (criterion 12); (iii) strengthening the alignment between the CPIA and the PRSP process (criteria 4,12, and 17); and (iv) completing the definition of all rating levels 1 through 6 (increasing the objectivity of the exercise), while making sure that high-score definitions are realistic. Elimination of undue hurdles to reaching a high score permits greater dispersion of CPIA results.

11. Steps have also been taken to correct for the possibility of unwarranted high ARPP scores that tend to increase the effective weight of this element in the IDA country performance rating. First, the upward bias inherent to young portfolios has been mitigated by applying a deterioration factor. Second, the conversion of the percentage of projects at risk to the 1-6 scale has been brought in line with that of the CPIA. This will tend to mitigate the upward jump in the rating after failing projects have been cancelled.^{47/} For more details on these enhancements, see Attachment II.

12. Guidelines have been issued to IDA Country Directors to ensure that they share the CPIA and IDA Performance Ratings with their clients. The result should be a more systematic discussion of the CPIA results with all IDA client countries, enriching the country dialogue and improving the focus and effectiveness of the IDA-funded program.

Focus on Governance

13. Since the beginning of IDA12, the governance discount has been used to provide the PBA with the appropriate focus on good governance. In the process, some drawbacks surfaced, including possible ratings distortions at the cut-off point, and a perceived punitive bias. To address these concerns, the governance discount has been replaced by the governance factor (see para. 5). This factor boosts all countries' ratings to the extent that their governance score exceeds 3.5, and likewise reduces these ratings to the extent that they fall short of 3.5. The calculation of the governance factor will continue to be based on the same seven criteria as used in the governance discount mechanism: criteria 4, and 16-20 of the CPIA, and the ARPP's procurement criterion. Steps are under way to redirect the latter's focus on the *quality* of the procurement process. The design of the governance factor should ensure a focus on governance for IDA countries at *all* levels of governance performance. IDA's annual PBA report, which is made public, includes a listing of the countries with a governance factor below 0.75. Experience with this new governance mechanism will be reviewed by Deputies at the Mid-Term Review of IDA13.

IDA Allocation Formula

14. In IDA12 the exponent in the IDA Performance Rating formula was set at 1.75 below the 3.0 level and at 2.0 above that level. Because this tended to create a discontinuity at the performance level of 3.0, the performance rating's exponent has now been set at 2.0 throughout the range.

^{47/} A major drive to clean up the portfolio in the Africa region during FY98-99 caused a boost in the ARPP ratings.

ATTACHMENT I - SUMMARY OF THE CPIA CRITERIA

Box 1 - CPIA Criteria

- A. Economic Management
 - 1. Management of Inflation and Macroeconomic Imbalances
 - 2. Fiscal Policy
 - 3. Management of External Debt
 - 4. Management and Sustainability of the Development Program

- B. Structural Policies
 - 5. Trade Policy and Foreign Exchange Regime
 - 6. Financial Stability and Depth
 - 7. Banking Sector Efficiency and Resource Mobilization
 - 8. Competitive Environment for the Private Sector
 - 9. Factor and Product Markets
 - 10. Policies and Institutions for Environmental Sustainability

- C. Policies for Social Inclusion/Equity
 - 11. Gender
 - 12. Equity of Public Resource Use
 - 13. Building Human Resources
 - 14. Social Protection and Labor
 - 15. Monitoring and Analysis of Poverty Outcomes and Impacts

- D. Public Sector Management and Institutions
 - 16. Property Rights and Rule-based Governance
 - 17. Quality of Budgetary and Financial Management
 - 18. Efficiency of Revenue Mobilization
 - 19. Quality of Public Administration
 - 20. Transparency, Accountability and Corruption in the Public Sector

ATTACHMENT II – Rating Portfolio Implementation

1. The IDA country rating gives a 20% weighting to the ARPP and 80% to the CPIA. As mentioned above (para. 11), two amendments have been put in place to correct for the upward bias in the ARPP portion of the rating. First, the upward bias inherent to young portfolios has been mitigated by applying a deterioration factor. Based on historical IDA portfolio experience, the percentage of projects at risk in young portfolios tends to be lower than the average for all IDA borrowers.^{48/} Second, the conversion of the projects-at-risk scores into the 1-6 scale has been revised to make it more consistent with the approach for the CPIA ratings. Box 1 shows the conversion scale that was used during IDA12.

Box 1 – Projects at Risk IDA12 Conversion Table	
% Projects at Risk	Rating
0% for 3 or more years	6.0
0%	5.5
0-10%	5.0
10-15%	4.5
15-25%	4.0
25-35%	3.5
35-40%	3.0
40-45%	2.5
45-70%	2.0
70-100%	1.5
100% for 3 or more years	1.0

2. The ARPP rating procedure differed from that for the CPIA in two respects: (i) there was a possibility to score 5.5 or 1.5, which is precluded for the CPIA criteria; and (ii) there was an overall tendency for countries to score higher on the ARPP than on the CPIA. The resulting upward bias in ARPP ratings caused an effective weighting of the ARPP in excess of 20%. Box 2 presents the new conversion table which was used in the most recent IDA allocation exercise.

BOX 2 – Projects at Risk NEW CONVERSION TABLE	
% Projects at Risk	Rating
0% for 3 or more years	6.0
0%	5.0
1 - 5%	4.5
6 - 15%	4.0
16 - 25%	3.5
26 - 40%	3.0
41 - 65%	2.5
66 - 100%	2.0
100% for 3 or more years	1.0

^{48/} The project-at-risk rating decreases by 5% for each year that a country's portfolio is younger than the average age of the entire IDA portfolio.

This scale sets a somewhat tougher standard and is anchored by two judgments: (i) that countries with more than 25% of the projects in their portfolio “at risk” show signs of unsatisfactory use of IDA resources; and (ii) that countries with portfolios where the “at risk” percentage is 15% or less are indicative of country situations where IDA resources are likely to be used well. The revised conversion scale tends to moderate the scores of the ARPP, bringing them more in line with those of the CPIA.

IDA'S APPROACH FOR ALLOCATING RESOURCES TO POST-CONFLICT COUNTRIES

I. INTRODUCTION

1. Assisting post-conflict countries^{49/} as they begin the process of recovery poses a special challenge for IDA. The effectiveness of IDA's response in these cases depends on ensuring the right timing, volume and composition of assistance. Over the past year IDA management has developed and tested a new methodology that seeks to provide staff and management with a more systematic basis for calibrating IDA's response to the different phases of the post-conflict period. While this methodology sharpens the focus on performance — in line with the stronger emphasis on performance in all IDA countries — it also emphasizes the need for judgment to take account of the complexities and heterogeneity of post-conflict situations. This attachment outlines the key features of the methodology and incorporates comments made by Deputies when they discussed the initial proposal^{50/} at the IDA meeting in Addis Ababa in June 2001.

II. OVERVIEW OF PROCEDURE

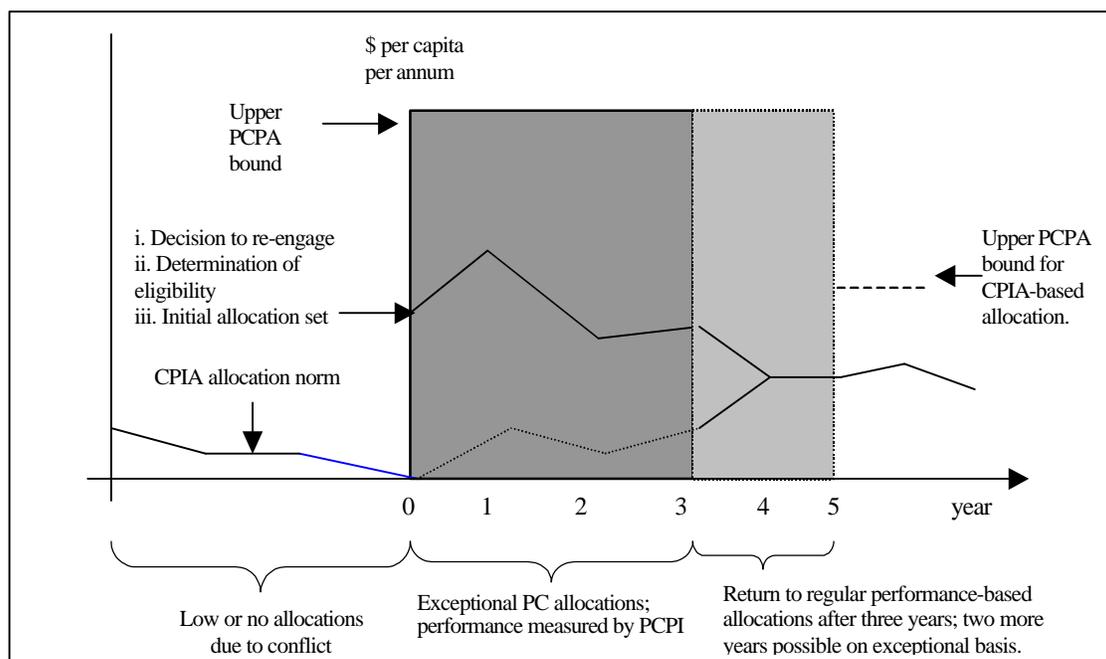
2. The new allocation procedure for post-conflict countries encompasses the entire transition period and comprises three distinct steps. Figure 1 provides an indicative illustration of how the proposed new methodology would work. Before the end of the conflict, allocations tend to be low or non-existent. After the decision to engage has been made, the eligibility of the country for exceptional allocations is evaluated (Step I). If considered eligible, the country's needs and circumstances are assessed along with the prospects that IDA resources will have a positive impact on the recovery process. This assessment forms the basis for deciding the appropriate size of the initial one-year allocation (Step II) and is a key component of the effort to formulate a Transitional Support Strategy (TSS) which sets out IDA's assistance program for the immediate post-conflict period.^{51/}

^{49/} For the purpose of this note, the term "post-conflict country" refers to IDA countries emerging from of violent and protracted conflict.

^{50/} "Adapting IDA's Performance-Based Allocations to Post-Conflict Countries" IDA Technical Paper, May 2001.

^{51/} See OP 2.30 "Development Cooperation and Conflict". The TSS would be in place for a period of up to 24 months and may be renewed for additional periods with the endorsement of the Executive Directors, until such time as a full, participatory Country Assistance Strategy (CAS) can be developed.

Figure 1: Possible Allocation Profile for a Conflict-Affected Country



3. Subsequent allocations are then be made at annual intervals on the basis of performance and with country-specific adjustments as required by specific circumstances (Step III). Performance is measured by a set of Post-Conflict Progress Indicators (PCPI). A country will normally be expected to return to IDA’s regular (CPIA-based) allocation process within three years. Given the level of destruction and dislocation that some countries have experienced, it may in some cases be necessary to extend exceptional treatment for one, or at most two additional years. The next sections provides details on each of these steps.

Step I. Determining Eligibility

4. The primary objectives for IDA’s re-engagement in a post-conflict country are to facilitate the transition to sustainable peace after hostilities have ceased and to support the resumption of economic and social development. The decision to engage in a country affected by conflict is based on an assessment made by Bank staff and management, and will always be made in consultation with other international partners, including UN agencies and other multilateral organizations, bilateral donors and regional institutions as appropriate. The significance of a particular re-engagement opportunity will be set out in a TSS, as provided for in the Bank’s operational policy on “*Development Cooperation and Conflict*”.^{52/} The process of ascertaining if a country qualifies for exceptional IDA allocations, and the size of this allocation, will be an important part of the preparation of the TSS.

^{52/} Or in a CAS if appropriate.

5. After the decision on initial engagement has been made, staff evaluate the country's eligibility for access to exceptional post-conflict IDA allocations.^{53/} This access needs to be properly ring-fenced with eligibility criteria so that perennial poor performers with some record of conflict can be distinguished from countries that are making a determined effort to emerge from a protracted and highly destructive conflict. Eligible candidates are defined as: (i) a country that has suffered from a severe and long-lasting conflict which has led to the inactivity of the borrower for an extended period, or at least a substantial decline in the level of external assistance, including from IDA; (ii) a country that has experienced a short but highly intensive conflict leading to a disruption of IDA involvement; and (iii) a newly sovereign state that has emerged through the violent break-up of a former sovereign entity.

6. The intensity of the conflict has a direct bearing on the degree to which exceptional assistance is needed for reconstruction efforts. The three key dimensions of conflict intensity are: (i) the extent of human casualties directly or indirectly caused by the conflict; (ii) the proportion of the population that is either internally displaced, or in exile; and (iii) the extent of physical destruction, e.g., isolated, local, regional etc. Generally it is expected that eligible countries will be those that have experienced highly intensive conflicts as measured across one or more of these three dimensions. Given the frequent lack of good data in post-conflict situations, the evaluation will rely mainly on qualitative judgment to assess conflict intensity in each dimension, supplemented by quantitative evidence where available.

Step II. Determining the Initial Allocation

7. Once the decision to engage has been made and country eligibility has been affirmed, staff initiate a consultative process to find the best possible match between the size of the initial allocation and country needs and circumstances, and the prospects for strong performance on a social and economic recovery program. The key input into this process is an assessment of four sets of issues that could have a bearing on the size of the initial allocation: (i) the prospects of peace; (ii) country needs, capacity and resources; (iii) government commitment to sustainable development; and (iv) moral hazard considerations. The lack of a recent performance track record and other reliable information that often characterize the immediate post-conflict period necessitates that the assessment be based mainly on qualitative judgments, though supplemented with quantitative data where available. An indicative list of 10 sets of questions has been developed to guide the assessment (see Attachment 1) which should be summarized in the TSS.

8. Given the acute need for resources typically faced by countries devastated by conflict, it is expected that most eligible countries will need an allocation that exceeds what they would qualify for based on their regular IDA performance rating. Based on previous experience it is expected that allocations will in most cases range from \$10 to \$15 per capita per year. By comparison, the average allocation per capita per annum to all IDA-only countries is approximately \$7.5. While this range is in line with the per capita levels that have been seen as necessary in recent post-conflict cases, it is important to note that most past cases have been countries with relatively small populations. More populous countries may face special

^{53/} Since countries may re-activate at any point during the year, the allocations are not tied to the fiscal year cycle.

difficulties in rapidly absorbing high per capita levels of aid. To avoid over-allocating scarce IDA resources, special attention should therefore be given to assessing the absorptive capacity of countries with large populations. Higher allocations could be considered if warranted by special circumstances, e.g., in cases where the conflict has been extremely destructive, but where the government's capacity to implement a comprehensive recovery program has remained strong.^{54/}

9. At the time of the determination of the initial allocation, the country team also does a 'shadow' rating of country performance, using a set of indicators tailored to post-conflict circumstances (see next section). Given the data limitations that are normal in the early post-conflict recovery phase, the main function of the results of this rating exercise would be to provide a benchmark against which future ratings can be compared.

Step III. Determining Subsequent Allocations

10. Allocation norms for the second and subsequent years are based on systematic performance measurement using a set of indicators specifically tailored to the realities of post-conflict countries. With the exception of the indicators that relate to security and reconciliation, these Post-Conflict Performance Indicators have been adapted from existing CPIA indicators and have been formulated to take account of the lack of reliable information and data that is often a feature of post-conflict contexts (see Attachment 2). As with the CPIA, standards have been set such that a country at any stage of development is able to score well. Furthermore, performance is measured on the basis of the government's record of implementing pro-poor measures. The PCPI rating scale has been narrowed to 2 to 5 because the evaluation covers only a transitional period while the top and bottom ratings 1 and 6 used in the CPIA involve the same rating over an extended period of time. Given the short-term horizon of the new allocation mechanism and the volatility of post-conflict-situations, the PCPI should be updated at least once a year. Where available, the ARPP (the portfolio component of the performance rating) is included with a 20 percent weight to form the Post-Conflict Performance Rating (PCPR).

11. The PCPR is the basis for the calculation of indicative post-conflict allocation norms. These norms, in turn, are the basis for determining assistance levels for the program that is set out in the TSS for each country. The norms will increase or decrease depending on country performance: countries with good performance will be able to maintain or increase their exceptional allocation norms, whereas less strong performers could see a significant decrease. If the initial allocation was already at the high end of the normal allocation range, continued strong performance would be necessary to sustain that level for a second year. If the initial allocation was in the medium range, subsequent allocation norms reflecting various performance levels could be represented as shown in Figure 1.

12. The PCPR-scores are translated into indicative allocation norms using guidelines for maximum per capita per annum allocations. The upper bound for countries rated close to 5.0 has been set at \$20, which is significantly higher than the amount that most post-conflict countries

⁵⁴ For post-conflict countries with large and protracted arrears to the Bank, the allocation methodology is also proposed to be used as an input to the determination of the size of pre-arrears clearance IDA grants authorized in the IDA12 Replenishment Agreement.

would receive under the regular CPIA-based allocation system. For countries rated close to 2.0, the upper bound has been set at \$4.

13. Exceptional post-conflict allocations are not an “entitlement” but rather a reflection of special assistance by IDA to support countries performing strongly in a program to consolidate peace and reconciliation. To underline this fact and ensure broad equity in IDA’s performance-based allocation system, exceptional post-conflict allocations are limited in duration. Eligibility for exceptional allocations is normally limited to three years. At the end of these three years, the allocation is again determined by IDA’s regular PR-based allocation norm, although it may be necessary in some cases to consider continuing exceptional assistance for one, or at most two, additional years. IDA’s country program managers will need to gradually phase allocations back to normal levels. It is therefore expected that by the third year of post-conflict allocations, the overall CPIA measure for the country is consulted, so that the actual allocation is determined with a view to phasing post-conflict allocations back to a normal level in the near term.

Attachment 1

Table 1. Considerations for the Initial Allocation

Dimensions	Questions
Prospects of Peace	<p>1. Reconciliation: Is a peace treaty in place? Have all the major parties signed it? Are insurgent groups still carrying out activities? Which accompanying efforts have been carried out to safeguard the peace treaty or cease fire agreement? Is a mediation process in place and how effective is it?</p>
	<p>2. Domestic security: Have there been shootings over the past six months? Is movement of goods and people around the territory unhindered? To what extent does the security situation allow the preparation, implementation and supervision of projects?</p>
	<p>3. Impact of neighboring conflict: To what extent does conflict in neighboring countries affect the internal conflict dynamics? How would stabilization impact the country's neighbors?</p>
Needs	<p>4. Damage assessment: What is the extent of destruction of social and economic infrastructure? What are the needs of conflict-affected groups? What is the estimated cost of a comprehensive emergency recovery/ reconstruction program?</p>
	<p>5. Absorptive capacity: What level of government and donor resources can be effectively absorbed? If low, can capacity be quickly augmented? What are the main constraints to absorb development assistance?</p>
	<p>6. Adequacy of available resources: Is there a substantial unmet resource need in light of available government and donor resources? Are other donors making a substantial effort to ensure that the recovery program is fully funded? Would IDA engagement help mobilize donor resources? If IDA has a portfolio in the country, what level of resources can be redirected to support the recovery program?</p>
Government Commitment to Sustainable Development	<p>7. Social and economic reform program: Is the government intending to pursue social and economic policies that would contribute to sustainable and broad-based economic growth and poverty reduction? Which constraints could impede the implementation of the reform program?</p>
	<p>8. Economic management: Is the government putting in place adequate economic management functions, including fiduciary safeguards? Is the government committed to normalizing relations with donors and creditors, and has it encouraged official creditors to participate in an orderly arrears clearance process?</p>
Moral Hazard Concerns	<p>9. Signaling impact of IDA involvement: Could a resumption of IDA assistance undermine the domestic or regional commitment to peace? What role did the incumbent government play in the conflict? Could IDA assistance be perceived to "reward" one or more parties to the conflict?</p>
	<p>10. Probability of misuse of IDA assistance: Could IDA assistance fuel the conflict? To what degree should the fungibility of resources be considered a concern, either in the country or regionally?</p>

Attachment 2

Table 2. Post-Conflict Progress Indicators

A. Security and Reconciliation	
1. Public Security <ul style="list-style-type: none"> Effectiveness of civilian policing and efforts to reduce crime Security for war-affected populations 	These indicators underscore the importance of a sustainable peace in post-conflict countries. They assess the authorities' efforts to reduce the probability of renewed conflict and to provide security to the population. They are measures of actions taken by the government to improve the environment for sustainable peace. For several of these indicators, IDA will need to rely on information provided by UN and bilateral agencies.
2. Reconciliation <ul style="list-style-type: none"> Government legitimacy Progress of mediation process Integration of parties to the conflict 	
3. Demobilization and Disarmament <ul style="list-style-type: none"> Effectiveness of D&D program Effectiveness of efforts to integrate ex-combatants 	
B. ECONOMIC RECOVERY	
4. Management of Inflation, External Debt; Adequacy of Budget <ul style="list-style-type: none"> Composition of budget Progress on structural reforms and IMF program Management of fiscal deficit and debt 	This cluster measures the extent to which policies have been implemented to spur economic recovery.
5. Trade policy, Foreign Exchange, and Price Regimes <ul style="list-style-type: none"> Functioning of customs authorities Efficiency of foreign exchange regimes 	
6. Management and Sustainability of the Development Program <ul style="list-style-type: none"> Soundness of reform program Progress on implementation Use of participatory processes 	
C. SOCIAL INCLUSION AND SOCIAL SECTOR DEVELOPMENT	
7. Reintegration of Displaced population <ul style="list-style-type: none"> Government efforts to assist displaced people and returnees. 	This cluster assesses if immediate social needs are addressed and focuses on the distribution of assets, income and services among the groups affected by the conflict, and on government policies to reintegrate the displaced population and its provision of the most crucial services in education and health.
8. Education <ul style="list-style-type: none"> Efforts to address urgent needs in particular primary education Efforts to address disparities among individuals or groups affected by conflict 	
9. Health <ul style="list-style-type: none"> Urgent health care needs, particularly in war affected areas Disparities among individuals or groups affected by conflict 	
D. PUBLIC SECTOR MANAGEMENT AND INSTITUTIONS	
10. Budget Formulation and Efficiency of Revenue Mobilization <ul style="list-style-type: none"> Budget formulation and implementation Effectiveness of revenue collection and tax administration Effectiveness of public auditing 	This cluster evaluates the quality of governance by focusing on the government's efforts to effectively manage the public sector, and on the state of its institutions.
11. Reestablishing the Administration and Rule-based Governance <ul style="list-style-type: none"> Functioning of civil administration Payment of government salaries Enforcement of contracts Number of ministries 	
12. Transparency, Accountability and Corruption in the Public Sector <ul style="list-style-type: none"> Level of government accountability Extent of corruption and government commitment to reduce 	

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
<p>INCREASE IDA's EFFECTIVENESS Strengthen Development Partnerships</p>	<p><i>Ownership and Participation:</i> Work with other donors to help countries make their own policy and program processes more participatory and to support the PRSP process.</p> <p><i>Aid Harmonization:</i></p> <ul style="list-style-type: none"> • Facilitate harmonization in areas of financial management, procurement, safeguard assessments and country analytic work, and update CAS and JSA guidelines to cover key harmonization issues. • Implement Action Plan on Harmonization (including production of standardized master bidding documents for civil works pre-qualification, civil works contracts, and consultants by end 2002; and adoption of common principles for environmental assessments by end 2002). • Ensure that IDA-financed projects are in full compliance with the Bank's applicable safeguard, fiduciary and other policies before presentation to IDA's Executive Directors. <p><i>Aid Coordination:</i> Strengthen collaboration with other MDBs, RDBs, and the OECD-DAC Task Force on Donor Practices. Report annually to Executive Directors on progress made in improving aid coordination.</p>	<p>CDF Progress Report</p> <p>Harmonization Progress Report</p> <p>Individual Operations</p> <p>MDB Progress Report</p>	<p>Fall 02 and subsequently</p> <p>Mid-Term Review</p> <p>Ongoing</p> <p>Annually in Fall</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
<p>Increase Selectivity</p>	<p><i>Country Selectivity:</i></p> <ul style="list-style-type: none"> In the CAS, focus on areas of IDA’s comparative advantage, and synchronize more closely with strategies of other development partners. Direct IDA resources to countries with sound policies and institutions through the performance-based allocation (PBA) system. Report on experience with implementation of the enhanced PBA system (including the governance factor and the linkage between allocations and actual lending), and assess impact of the current weighting of poverty in the allocation formula. Analyze and report on the impact of allocation caps and targets. Explore ways to share CPIA ratings/methodology with other partners, with the goal of public disclosure of individual country ratings. Program Selectivity: Strengthen the implementation of SSPs, and integrate their lessons into CASs. Monitor impact of sector strategies in achieving greater selectivity in program priorities. <p><i>Institutional Selectivity:</i> Concentrate on areas of IDA’s comparative advantage which lie at the strategic level in helping countries improve their economic management and policy framework, set sector strategies, and implement sector-wide and economy-wide reforms, and in analyzing policy options and sharing knowledge through ESW. Report on progress.</p>	<p>CAS Retrospective</p> <p>Lending Strategy Review</p> <p>PBA Implementation Report</p> <p>Report on readiness and timing for disclosure</p> <p>SSP Stocktaking Report</p> <p>Selectivity Progress Report</p>	<p>July 02 and 04</p> <p>Annually in Fall</p> <p>Mid-Term Review</p> <p>Mid-Term Review</p> <p>Fall 04</p> <p>Mid-Term Review</p>
<p>Align IDA’s Budgetary Resources and Program Priorities</p>	<p><i>Poverty Focus:</i> Include country poverty levels as a factor in determining the allocation of the Bank’s administrative budget.</p> <p><i>Adequate Funding:</i> Ensure that: (a) CASs are costed with realism and are fully funded; and (b) adequate funding is provided for analytical, economic and sector work.</p>	<p>Budget</p> <p>CASs</p>	<p>Ongoing</p> <p>Ongoing</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
<p>Measure Results and Track Performance</p>	<p><i>Performance Management System:</i></p> <ul style="list-style-type: none"> Establish a system for IDA to better measure, monitor and manage for development results. The system will link development outcomes to IDA country programs, and will provide a clear indication of how IDA's programs promote the achievement of these outcomes. The system will be country-focused, but will also be capable of aggregating across country programs in order to report and assess IDA-wide results. Include in the CAS: (a) key PRSP-based country outcome goals and indicators, including relevant country-specific MDGs, with baseline data; (b) a clear statement of the results expected from CAS-supported programs, projects and other activities; (c) benchmarks for assessing CAS implementation; and (d) an assessment of country data systems and other capacity to monitor and evaluate progress. <p><i>Support to Borrowers:</i></p> <ul style="list-style-type: none"> Help develop timely M&E data systems to support decision making by both IDA and recipient countries; help develop borrowers' institutional capacity for evaluation and data dissemination; and harmonize M&E approaches and requirements among development agencies. Review progress on M&E Improvement Program (under implementation in two sectors and eight countries) and capacity-building program for Bank staff covering operational-level M&E. <p><i>Measuring Outcomes:</i></p> <ul style="list-style-type: none"> Include outcome indicators more systematically in IDA operations. Track progress of the following country outcome indicators across IDA countries during the IDA13 period./<u>a</u> <ul style="list-style-type: none"> Education: Increase population-weighted average primary completion rate from 68% in 2002 to 69% by 2004*. Education: Increase number of countries with positive growth rates in primary completion rates from 32 countries in 2002 to 38 by 2004. Health: Increase overall coverage rate (population-weighted) of measles immunization from 58% in 2002 to 60% by 2004.* <p><i>/a For all outcome indicators, the base set of countries will remain the same. * with a substantial number of IDA countries reaching a higher rate</i></p>	<p>Outline of approach; presentation of baseline data, identified outcome indicators and expected progress targets</p> <p>Progress Report on Performance Management System: First-Year Results</p> <p>CASs CAS Retrospective</p> <p>Update on M&E Improvement Program</p> <p>Individual Operations</p> <p>Progress Report on Country Outcomes</p>	<p>Spring 2003</p> <p>Spring 2004</p> <p>Ongoing July 02 and 04</p> <p>FY03</p> <p>Ongoing</p> <p>Spring 2004</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
<p>POLICY FRAMEWORK FOR POVERTY REDUCTION Implement the PRSP Process</p>	<ul style="list-style-type: none"> • Health: Increase number of countries with 80% coverage of measles vaccination from 27 countries in 2002 to 29 by 2004. • PSD: Reduce time required for business start-up by 7% (in number of business days) from end CY01 to Spring 2004. • PSD: Reduce formal cost of business start-up (in percent of GDP per capita) by 7% from end CY01 to Spring 2004. • Work with other partners in monitoring and reporting on progress towards the MDGs, specifically poverty incidence, inequality, including that due to gender, and other social indicators. Provide a report on progress toward these long-term objectives. <p><i>IDA's Role:</i> Provide analysis based on international experience, explore policy options, and advocate policy actions to promote growth and reduce poverty. Assess the strengths and weaknesses of the PRSP strategy, and articulate in the CAS the extent to which priorities of the IDA program align with those in the PRSP.</p> <p><i>Core Emphases:</i> Place priority on the following three dimensions of the PRSP: (a) prioritizing public actions; (b) strengthening public expenditure management systems; and (c) setting indicators to monitor and evaluate progress. Report on the participatory process used during the formulation of the PRSP.</p> <p><i>Accountability:</i> As part of the CAS process, and in coordination with other donors, link future adjustment and budgetary support to milestones in the establishment of sound public expenditure management, financial management and procurement systems. Establish reporting mechanisms to monitor progress. Foster greater transparency and accountability by encouraging IDA-supported programs to issue regular reports on financial and management performance.</p>	<p>Progress Report on Country Outcomes</p> <p>Poverty Progress Report MDG Progress Report</p> <p>JSAs of PRSPs and CASs</p> <p>JSAs of PRSPs</p> <p>CASs</p>	<p>Spring 2004</p> <p>Periodic Mid-Term Review</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
<p>PROMOTE POLICY PRIORITIES FOR POVERTY REDUCTION</p> <p>Education</p>	<ul style="list-style-type: none"> • Prepare an action plan early in IDA13 to help IDA countries make faster progress towards the education-related MDGs, consistent with work on Education for All and Education for the Knowledge Economy. • Track progress towards achieving education goals, particularly those related to girls' education. • Help countries develop Action Plans to accelerate progress towards Education for All (EAPs). 	<p>Action Plan to Achieve Education for All</p> <p>EAPs completed for a substantial majority of active IDA countries by end of IDA13</p>	<p>FY03</p> <p>Annual</p> <p>End FY05</p>
<p>Health, Nutrition and Population</p>	<ul style="list-style-type: none"> • In accordance with the World Bank HNP Sector Strategy, work to improve health outcomes of the poor, enhance the efficiency and equity of health care systems, and secure sustainable health care financing. • Bring the importance of HIV/AIDS and other communicable diseases into country policy dialogue, and work closely with other institutions that have responsibilities and strengths in these areas. • Increase IDA allocations to support the fight against communicable diseases in line with IDA's policy of linking financing with country performance. 	<p>CASs</p> <p>CASs</p> <p>Lending Strategy Review</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Annual</p>
<p>Gender Equality</p>	<ul style="list-style-type: none"> • Strengthen assessments of constraints to gender equality in countries with an active IDA assistance program. • Closely monitor, evaluate and report on the mainstreaming of the gender dimension in IDA's work. 	<p>Gender Progress Report</p>	<p>Annual</p>
<p>Good Governance</p>	<ul style="list-style-type: none"> • Implement the sector strategy on <i>Reforming Public Institutions and Strengthening Governance</i>. Help countries identify key institutional development and capacity building needs through ESW, emphasizing analyses of countries' public expenditure, financial accountability and procurement systems, and step up efforts to help borrowers build capacity to manage, monitor and evaluate public expenditures, both to improve service delivery and to ensure full transparency and accountability for public and donor resources. 	<p>Report on Public Expenditure Management</p>	<p>Annual, beginning November 03</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
Private Sector Development	<ul style="list-style-type: none"> • Exploit synergies with other members of the World Bank Group, in particular IFC, to encourage innovation in support of private sector development, and devote resources to such innovative programs. Report on progress. • Review experience with output-based aid pilot operations in IDA countries. • Ensure that CASs address impediments to private sector development 	<p>PSD Progress Report</p> <p>PSD Progress Report Initiate Investment Climate Surveys in a majority of active IDA countries by the end of IDA13 Complete Investment Climate Assessments in a total of 7 IDA countries by Spring 2003 and in a total of 14 by Spring 2004</p>	<p>Mid-Term Review</p> <p>Mid-Term Review End FY05</p>
Rural Development	<ul style="list-style-type: none"> • Finalize a new rural development strategy that focuses on increasing productivity in agriculture and defining pro-poor, sustainable investments in rural areas. 	Rural Development Strategy	FY03
Environmental Sustainability	<ul style="list-style-type: none"> • Implement the World Bank's Environment Strategy according to the schedule and milestones established in the Strategy. • Accelerate the mainstreaming of environmental concerns into IDA's work, and establish a timetable for improving analytical work and implementing relevant changes in staff skills mix, training, decision tools, and incentives. • Ensure that all IDA-financed projects are in full compliance with the Bank's applicable environmental and social safeguard policies before presentation to the Executive Directors. 	<p>Report on the Environment</p> <p>Individual Operations</p>	<p>Annual</p> <p>Ongoing</p>
Trade and Regional Integration	<ul style="list-style-type: none"> • Help countries preparing their PRSPs to analyze options for trade integration and to design reform packages that both promote growth and protect the poor against adverse transitional effects of trade opening. 	JSAs of PRSPs	Ongoing

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
<p>IDA's CAS AND GLOBAL/REGIONAL PROGRAMS</p> <p>CAS</p> <p>Improve Analytical Underpinnings of IDA's Work</p>	<ul style="list-style-type: none"> • Fill gaps in countries' analytical work, making sure that IDA's ESW complements the work of others and is of good quality. • Highlight in the CAS the results of core analytical work as part of the justification for the proposed level and composition of IDA's financial and advisory assistance. This core analytical work comprises: <ul style="list-style-type: none"> • Social, Structural and Sectoral Analysis. This analysis comprises a Poverty Assessment (PA), or equivalent poverty analysis, which looks at the dimensions of poverty and its determinants, including the analysis of poverty and social impacts of key reforms that have been undertaken or are being contemplated; and a Country Economic Memorandum (CEM), or equivalent economic analysis, which focuses on structural, sectoral and institutional reform priorities for sustainable growth and poverty reduction, including the analysis of the social and environmental impacts of these reforms. These assessments also include the analysis of gender equality and labor markets (including core labor standards) and provide recommendations on the policies and institutions identified as particularly weak in the CPIA. They can be prepared by IDA, other donors or the country itself and can be presented as an integrative report on social, structural and key sectoral policies or as separate ESW products. • Public Expenditure, Financial Accountability and Procurement Analysis. This analysis is comprised of a Public Expenditure Review (PER), a Country Financial Accountability Assessment (CFAA), and a Country Procurement Assessment Review (CPAR) and covers: (a) the comprehensiveness and transparency of the budget, including prospects for increased domestic resource mobilization, where appropriate; (b) the adequacy and transparency of systems for budget implementation and for procurement; and (c) the adequacy of systems for monitoring, reporting on, and auditing of public financial flows, including proceeds of budgetary support from donors. These assessments can be prepared by IDA or other donors (provided that they are of satisfactory quality and objectivity) and can be presented as an integrative fiduciary report or as separate ESW products. • Ensure that each CAS is underpinned by current poverty analysis (including the analysis of the poverty and social impacts of major reforms contemplated by government) and that where this analysis is incomplete or unavailable, the gaps are identified in the CAS and the CAS lays out a plan for their completion (either by IDA, the government, or other development partners). • Establish a timetable to ensure that core ESW is undertaken for active IDA recipients, provide adequate administrative resources, and report on progress. 	<p>Core ESW Progress Report ARPP CASs CAS Retrospective</p> <p>ESW Products</p> <p>CFAAs: a total of 30 completed by Spring 2003; a total of 40 completed by Spring 2004; of which at least 50% in Africa</p> <p>CPARs: a total of 24 completed by Spring 2003; a total of 38 completed by Spring 2004; of which at least 50% in Africa</p> <p>PERs: a total of 29 completed by Spring 2003; a total of 40 completed by Spring 2004; of which at least 50% in Africa</p> <p>Included in all CASs prepared after July 2002</p> <p>Core ESW Progress Report</p>	<p>Mid-Term Review Annual Ongoing July 02 and 04</p> <p>Ongoing</p> <p>Spring 2003 and Spring 2004</p> <p>Mid-Term Review</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
CAS Timetable	<ul style="list-style-type: none"> • Ensure that substantial programmatic lending to IDA borrowers is informed by fiduciary diagnostics and is based on a time-bound action plan to establish sound fiduciary policies. Encourage governments, in the context of preparing PRSPs, to analyze the poverty and social impacts of major programs and policy actions, including those supported by PRSCs. • Ensure that the Financial Sector Assessment Program (FSAP) is carried out in IDA countries subject to agreement with IMF and individual countries. • For each IDA country, indicate at the time of Board discussion of the PRSP, the proposed timing for Board discussion of the CAS. 	<p>Individual Operations</p> <p>5 FSAPs per year in IDA countries</p> <p>PRSP Board discussions</p>	<p>Ongoing</p> <p>Ongoing</p>
Strengthen Link between PBA and CAS	<ul style="list-style-type: none"> • Monitor alignment of IDA allocations with CAS base and high cases (as well as alignment of CAS triggers with weaknesses in CPIA), and track actual lending at the country level to ensure alignment between lending and country performance. 	<p>Management Review of Allocations and Lending</p>	<p>Annual</p>
Enhance Dialogue with Recipients on CPIA	<ul style="list-style-type: none"> • Make CPIA methodology more transparent to borrowers, enhance dialogue with governments on their CPIA ratings and analyze feedback received. 	<p>CPIA Exercise and Annual Management Review of PBA System</p>	<p>Annual</p>
Enhance Transparency of IDA's Assistance	<ul style="list-style-type: none"> • Implement revisions to the disclosure policy approved by Executive Directors in September 2001, including the release of a broad set of OED reports, consultation drafts of SSPs, and enhanced information packages on project implementation. Look for ways in which more information on IDA programs can be made publicly available. 	<p>Report on Implementation of Disclosure Policy</p>	<p>Annually, beginning in Fall 02</p>
GLOBAL AND REGIONAL PROGRAMS Global Public Goods	<ul style="list-style-type: none"> • Collaborate closely with other partners in the provision of global public goods and where necessary produce an explicit agreement among partners with regard to comparative advantage. 	<p>MDB Progress Report</p>	<p>Annually in Fall</p>
Regional Priorities	<ul style="list-style-type: none"> • Maintain Africa's share of IDA commitments at 50% as long as the performance of individual countries warrants it, monitor regional distribution of IDA commitments and disbursements, and report annually to Executive Directors. 	<p>IDA Lending Report</p>	<p>Annual</p>

IDA13 OBJECTIVES AND ACTIONS (FY03-05)

Objectives	Recommendations/Actions	Product	Target Date
SUPPORT FOR HIPC	<ul style="list-style-type: none"> Ensure that new lending does not lead to unsustainable debt burdens. Keep this issue under close review, and provide an update on debt sustainability. 	Debt Sustainability Report	Mid-Term Review
MONITORING AND EVALUATION OF IDA13 Strengthen Accountabilities with Respect to IDA Commitments	<ul style="list-style-type: none"> Publicly disclose the IDA13 Replenishment Report, and translate IDA mandates into operational guidelines as appropriate. Assign internal responsibility for monitoring and implementation of institutional commitments, and reinforce accountability for policy compliance. Monitor the quality of the IDA portfolio as a key indicator of ultimate development outcomes and impact. 	IDA13 Progress Report ARDE and ARPP	Mid-Term Review Annual
Report on IDA13 Implementation	<p>CAS Retrospective. Undertake a systematic review of CASs discussed by the Board to assess their coverage, content and quality in helping countries attain their poverty reduction goals, including through the monitoring of outcome indicators.</p> <p>SSP Stocktaking. Evaluate the strategic relevance, analytic quality and operational efficiency of SSPs, and set out future directions. Report periodically on implementation progress of sector strategies.</p> <p>IDA Grants Implementation. Report on experience with implementation of expanded use of IDA grants.</p> <p>Implementation of New Lending Terms. Report on experience with implementation of new lending terms for countries with capacity to service debt on harder terms.</p> <p>Report on Commitments, Disbursements and Funding. Prepare an annual update on IDA's lending and funding, including breakdowns by sector and instrument, and a review of lending to Blends.</p> <p>IDA13 Implementation Report. Review the implementation and results of activities undertaken during the IDA13 period.</p>	CAS Retrospective SSP Stocktaking Report Grants Implementation Report Report on New Lending Terms IDA Lending Report IDA13 Retrospective Report	July 02 and 04 Fall 04, and subsequently Mid-Term Review Mid-Term Review Annual December 05

Potential New Donors

	Adjusted GNP Share a/	Indicative Contribution SDR million a/
Bahrain b/	0.005%	0.501
Brunei Darussalam b/	0.024%	2.405
Chile	0.044%	4.409
Cyprus b/	0.022%	2.204
Qatar b/	0.012%	1.202
United Arab Emirates b/	0.101%	10.120
Total		20.842
a/ Based on 2000 adjusted GNI share (except as noted below) and the IDA13 donor contribution level. b/ Based on 1997 GNI figures.		

INTERNATIONAL DEVELOPMENT ASSOCIATION

BOARD OF GOVERNORS

(Draft)

Resolution No. _____

Additions to Resources: Thirteenth Replenishment

WHEREAS:

(A) The Executive Directors of the International Development Association (the “Association”) have considered the prospective financial requirements of the Association and have concluded that it is desirable to authorize a replenishment of the resources of the Association for new financing commitments for the period from July 1, 2002 to June 30, 2005 (the “Thirteenth Replenishment”) in the amounts and on the basis set out in the report of the IDA Deputies, “Additions to Resources: Thirteenth Replenishment, Supporting Poverty Reduction Strategies” (the “Report”), approved by the Executive Directors on [August 1,] 2002, and submitted to the Board of Governors;

(B) The members of the Association consider that an increase in the resources of the Association is required and intend to take all necessary governmental and legislative action to authorize and approve the allocation of additional resources to the Association in the amounts and on the conditions set out in this Resolution;

(C) Members of the Association that contribute resources to the Association in addition to their subscriptions as part of the Thirteenth Replenishment (“Contributing Members”) are to make available their contributions pursuant to the Articles of Agreement of the Association (the “Articles”) partly in the form of subscriptions carrying voting rights and partly as supplementary resources in the form of contributions not carrying voting rights;

(D) Additional subscriptions are to be authorized for Contributing Members in this Resolution on the basis of their agreement with respect to their preemptive rights under Article III, Section 1(c) of the Articles, and provision is made for the other members of the Association (“Subscribing Members”) intending to exercise their rights pursuant to that provision to do so;

(E) It is desirable to provide for a portion of resources to be contributed by members to be paid to the Association as advance contributions;

(F) Provision is made for special supplemental contributions to increase the Association's capacity to provide financing in extraordinary circumstances, and to fund the long-term costs of extending financing in the form of grants under the Thirteenth Replenishment;

(G) Provision is made for the payment of additional subscriptions and contributions contingent upon the progress on specified performance criteria;

(H) It is desirable to authorize the Association to provide financing in the form of grants and guarantees in addition to loans; and

(I) It is desirable to administer any remaining funds from the replenishment authorized by Resolution No. 194 of the Board of Governors of the Association (the "Twelfth Replenishment") as part of the Thirteenth Replenishment.

NOW THEREFORE THE BOARD OF GOVERNORS HEREBY ACCEPTS the Report as approved by the Executive Directors, **ADOPTS** its conclusions and recommendations **AND RESOLVES THAT** a general increase in subscriptions of the Association is authorized on the following terms and conditions:

1. **Authorization of Subscriptions and Contributions.**

- (a) The Association is authorized to accept additional resources from each Contributing Member in the amounts specified for each such member in Table 1 attached to this Resolution, and each such amount will be divided into a subscription carrying voting rights and a contribution not carrying voting rights as specified in Table 2 attached to this Resolution.
- (b) In addition to the resources described in paragraph 1(a) above, the Association is authorized to accept special supplemental contributions from Contributing Members.
- (c) The Association is authorized to accept additional resources from any member for which no contribution is specified in Table 1.
- (d) The Association is authorized to accept additional subscriptions from each Subscribing Member in the amount specified for each such member in Table 2.

2. **Agreement to Pay.**

- (a) When a Contributing Member agrees to pay its subscription and contribution, or a Subscribing Member agrees to pay its subscription, it will deposit with the Association an instrument of commitment substantially in the form set out in Attachment I to this Resolution ("Instrument of Commitment").
- (b) When a Contributing Member agrees to pay a part of its subscription and contribution without qualification and the remainder is subject to enactment by its legislature of the necessary appropriation legislation, it will deposit a qualified instrument of

commitment in a form acceptable to the Association (“Qualified Instrument of Commitment”); such member undertakes to exercise its best efforts to obtain legislative approval for the full amount of its subscription and contribution by the payment dates set out in paragraph 3(b) of this Resolution.

3. **Payment.**

- (a) Each Subscribing Member will pay to the Association the amount of its subscription in full within 31 days after the date of deposit of its Instrument of Commitment; provided that if the Thirteenth Replenishment shall not have become effective by December 15, 2002, payment may be postponed by the member for not more than 31 days after the Effective Date as defined in paragraph 6(a) of this Resolution.
- (b) Each Contributing Member that deposits an Instrument of Commitment that is not a Qualified Instrument of Commitment will pay to the Association the amount of its subscription and contribution in three equal annual installments no later than January 15, 2003, January 15, 2004, and January 15, 2005; provided that:
 - (i) the Association and each Contributing Member may agree to earlier payment;
 - (ii) if the Thirteenth Replenishment shall not have become effective by December 15, 2002, payment of the first such installment may be postponed by the member for not more than 31 days after the date on which the Thirteenth Replenishment becomes effective;
 - (iii) the Association may agree to the postponement of any installment, or part thereof, if the amount paid, together with any unused balance of previous payments by the Contributing Member concerned, is at least equal to the amount estimated by the Association to be required from that member up to the due date of the next installment for purposes of disbursements for financing committed under the Thirteenth Replenishment; and
 - (iv) if any Contributing Member deposits an Instrument of Commitment with the Association after the date when the first installment of the subscription and contribution is due, payment of any installment, or part thereof, will be made to the Association within 31 days after the date of such deposit.
- (c) If a Contributing Member has deposited a Qualified Instrument of Commitment and, upon enactment of appropriation legislation, notifies the Association that an installment, or part thereof, is unqualified after the date when it was due, then payment of such installment, or part thereof, will be made within 31 days after the date of such notification.
- (d) If a Contributing Member has deposited a Contingent Instrument of Commitment pursuant to paragraph 9 of this Resolution, payment of its contingent contributions

will be made at the same time as payment of the related second and third annual installments.

4. **Mode of Payment.**

- (a) Payments pursuant to this Resolution will be made, at the option of the member: (i) in cash, on terms agreed between the member and the Association; or (ii) by the deposit of notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand to the account of the Association.
- (b) The Association will encash the notes or similar obligations of Contributing Members, on an approximately *pro rata* basis among donors, in accordance with the encashment schedule set out in Attachment III to this Resolution, provided that at the request of a Contributing Member the Association may agree to vary the total encashment period for that member. With respect to a Contributing Member that is unable to comply with one or more encashment requests, the Association may agree with the member on a revised encashment schedule that yields at least an equivalent value to the Association.
- (c) The provisions of Article IV, Section 1(a) of the Articles will apply to the use of a Subscribing Member's currency paid to the Association pursuant to this Resolution.

5. **Currency of Denomination and Payment.**

- (a) Members will denominate the resources to be made available pursuant to this Resolution in SDRs, the currency of the member, or, with the agreement of the Association, in a freely convertible currency of another member, except that if a Contributing Member's economy experienced a rate of inflation in excess of ten percent per annum on average in the period 1998-2000, as determined by the Association as of the date of adoption of this Resolution, its subscription and contribution will be denominated in SDRs.
- (b) Contributing Members will make payments pursuant to this Resolution in SDRs, a currency used for the valuation of the SDR, or, with the agreement of the Association, in another freely convertible currency, and the Association may freely exchange the amounts received as required for its operations. Subscribing Members will make payments in the currency of the member or in a freely convertible currency with the agreement of the Association.
- (c) Each member will maintain, in respect of its currency paid by it under this Resolution, and the currency of such member derived therefrom as principal, interest or other charges, the same convertibility as existed on the effective date of this Resolution.

6. **Effective Date.**

- (a) The Thirteenth Replenishment will become effective and the resources to be contributed pursuant to this Resolution will become payable to the Association on the date (the "Effective Date") when Contributing Members whose subscriptions and contributions aggregate not less than SDR 5,448 million shall have deposited with the Association Instruments of Commitment or Qualified Instruments of Commitment, provided that this date shall be not later than December 15, 2002, or such later date as the Executive Directors of the Association may determine.
- (b) If the Association determines that the availability of additional resources pursuant to this Resolution is likely to be unduly delayed, it shall convene promptly a meeting of the Contributing Members to review the situation and to consider the steps to be taken to prevent a suspension of financing to eligible recipients by the Association.

7. **Advance Contributions.**

- (a) In order to avoid an interruption in the Association's ability to commit financing to eligible recipients pending the effectiveness of the Thirteenth Replenishment, and if the Association shall have received Instruments of Commitment from Contributing Members whose subscriptions and contributions aggregate not less than SDR 1,816 million, the Association may deem, prior to the Effective Date, one third of the total amount of each subscription and contribution for which an Instrument of Commitment has been deposited with the Association as an "Advance Contribution", unless the Contributing Member specifies otherwise in its Instrument of Commitment.
- (b) The Association shall specify when Advance Contributions pursuant to subparagraph (a) are to be paid to the Association.
- (c) The terms and conditions applicable to contributions to the Thirteenth Replenishment shall apply also to Advance Contributions until the Effective Date, when such contributions shall be deemed to constitute payment towards the amount due from each Contributing Member for its subscription and contribution.
- (d) In the event that the Thirteenth Replenishment shall not become effective pursuant to paragraph 6(a) of this Resolution, (i) voting rights will be allocated to each member for the Advance Contribution as if it had been made as a subscription and contribution under this Resolution, and (ii) each member not making an Advance Contribution will have the opportunity to exercise its preemptive rights under Article III, Section 1(c) of the Articles with respect to such subscription as the Association shall specify.

8. **Commitment Authority.**

- (a) Subscriptions and contributions, whether notified under an Instrument of Commitment, a Qualified Instrument of Commitment, or a Contingent Instrument of Commitment, will become available for commitment by the Association for financing to eligible recipients when and to the extent they are paid to the Association in accordance with paragraphs 3 and 4 and subject to the provisions of paragraphs 6 and 7 of this Resolution. Advance Contributions will become available for commitment upon effectiveness of the Advance Contribution scheme set forth in paragraph 7 of this Resolution.
- (b) The Association shall promptly inform Contributing Members if a member that has deposited a Qualified Instrument of Commitment and whose subscription and contribution represents more than 20 percent of the total amount of the resources to be contributed pursuant to this Resolution has not unqualified at least 66 percent of the total amount of its subscription and contribution by January 15, 2004, or 31 days after the Effective Date, whichever is later, and the total amount thereof by January 15, 2005, or 31 days after the Effective Date, whichever is later.
- (c) Within 31 days of the dispatch of notice by the Association under subparagraph (b), each other Contributing Member may notify the Association in writing that the commitment by the Association of the second installment of such member's subscription and contribution shall be deferred while, and to the extent that, any part of the subscription and contribution referred to in subparagraph (b) remains qualified; during such period, the Association shall make no financing commitments to eligible recipients in respect of the resources to which the notice pertains unless the right of the Contributing Member is waived pursuant to subparagraph (d).
- (d) The right of a Contributing Member under subparagraph (c) may be waived in writing, and it shall be deemed waived if the Association receives no written notice pursuant to such subparagraph within the period specified therein.
- (e) The Association may enter into financing commitments with eligible recipients conditional on such commitments becoming effective and binding on the Association when resources under the Thirteenth Replenishment become available for commitment by the Association.

9. **Contingent Contributions.**

- (a) If a Contributing Member agrees to pay an additional subscription and contribution contingent upon the satisfaction of the criteria detailed in the Schedules to Attachment II to this Resolution, it will deposit a contingent Instrument of Commitment or contingent Qualified Instrument of Commitment (a "Contingent Instrument of Commitment") in a form acceptable to the Association on the basis of Attachment II to this Resolution.

- (b) Each Contributing Member that has deposited with the Association a Contingent Instrument of Commitment will be allocated subscription votes at the time and to the extent of payments made in respect of its related subscription and contribution.
- 10. **Authorization of Grants.** The Association is hereby authorized to provide financing under the Thirteenth Replenishment in the form of grants.
- 11. **Authorization of Guarantees.** The Association is hereby authorized to provide financing under the Thirteenth Replenishment in the form of guarantees.
- 12. **Administration of IDA12 Funds under the Thirteenth Replenishment.**
 - (a) On the Effective Date, any funds, receipts, assets and liabilities held by the Association under the Twelfth Replenishment will be administered under the Thirteenth Replenishment, subject, as appropriate, to the terms and conditions applicable to the Twelfth Replenishment.
 - (b) Pursuant to Article V, Section 2(a)(i) of the Articles of Agreement of the Association, the Association is authorized to use the funds referred to in paragraph 12(a) above, and funds derived therefrom as principal, interest or other charges, to provide financing in the forms of grants and guarantees under the terms, conditions and policies applicable under the Thirteenth Replenishment.
- 13. **Allocation of Voting Rights under Thirteenth Replenishment.** Voting rights calculated on the basis of the current voting rights system will be allocated to members for subscriptions under the Thirteenth Replenishment as follows:
 - (a) Each Subscribing Member that has deposited with the Association an Instrument of Commitment will be allocated the subscription votes specified for each such member in Table 2 on the effective payment date pursuant to paragraph 3(a) of this Resolution. Each Subscribing Member will be allocated the additional membership votes specified in Column c-3 of Table 2 on the date such member is allocated its subscription votes.
 - (b) Each Contributing Member that has deposited with the Association an Instrument of Commitment will be allocated one third of the subscription votes specified for each such member in Table 2 on each effective payment date pursuant to paragraph 3(b) of this Resolution. Each Contributing Member will be allocated the additional membership votes specified in Column b-3 of Table 2 for its subscription on the date such member is allocated the first one third of its subscription votes.
 - (c) Each member that has deposited with the Association a Qualified Instrument of Commitment will be allocated subscription votes at the time and to the extent of payments made in respect of its subscription and contribution.

- (d) Any member that deposits its Instrument of Commitment after any of these dates will be allocated, as of the date of such deposit, the subscription votes to which such member is entitled on account of such deposit.
- (e) If a member fails to pay any amount of its subscription or subscription and contribution when due, the number of subscription votes allocated from time to time to such member under this Resolution in respect of the Thirteenth Replenishment will be reduced in proportion to the shortfall in such payments, but any such votes will be reallocated when the shortfall in payments causing such adjustment is subsequently made up.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Additions to Resources: Thirteenth Replenishment

Instrument of Commitment

Reference is made to Resolution No. ____ of the Board of Governors of the International Development Association entitled "Additions to Resources: Thirteenth Replenishment", which was adopted on _____, 2002 ("the Resolution").

The Government of _____ **HEREBY NOTIFIES** the Association pursuant to paragraph 2 of the Resolution that it will make the _____^{55/} authorized for it in accordance with the terms of the Resolution in the amount of _____^{56/}.

(Date)

_____^{57/}
(Name and Office)

^{55/} Contributing Members fill in the words "subscription and contribution"; and Subscribing Members fill in the word "subscription" only.

^{56/} Pursuant to paragraph 5(a) of the Thirteenth Replenishment Resolution, members are required to denominate their subscription and contribution, or subscription only, as the case may be, in SDRs, in the currency of the member, or with the agreement of the Association in a freely convertible currency of another member. Payment will be made as provided in paragraph 5(b) of the Resolution.

^{57/} The instrument is to be signed on behalf of the member by a duly authorized representative.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Additions to Resources: Thirteenth Replenishment

Contingent Instrument of Commitment

Reference is made to Resolution No. ____ of the Board of Governors of the International Development Association entitled "Additions to Resources: Thirteenth Replenishment", which was adopted on _____, 2002 ("the Resolution").

The Government of _____ **HEREBY NOTIFIES** the Association pursuant to paragraph 9 of the Resolution that it will, as authorized for it in accordance with the terms of the Resolution, make an additional subscription and contribution with respect to fiscal year 2004 in the amount of _____, contingent upon progress made as set forth in Schedule A hereto; and an additional subscription and contribution with respect to fiscal year 2005 in the amount of _____, contingent upon progress made as set forth in Schedule B hereto, all with respect to borrowing members of the Association.

(Date)

(Name and Office) ^{58/}

^{58/} The instrument is to be signed on behalf of the member by a duly authorized representative.

Schedule A to Attachment II

Progress by Spring 2003: Inputs

- A total of 30 Country Financial Accountability Assessments completed, of which at least 50% for African countries;
- A total of 24 Country Procurement Assessment Reviews completed, of which at least 50% for African countries;
- A total of 29 Public Expenditure Reviews completed, of which at least 50% for African countries;
- All Country Assistance Strategies prepared since July 2002 underpinned by current poverty analysis;
- A total of 7 Investment Climate Assessments completed;
- Initiation of performance measurement system, including outline of approach, baseline data, outcome indicators and progress targets.

Schedule B to Attachment II

Progress by Spring 2004

Inputs

- A total of 40 Country Financial Accountability Assessments completed, of which at least 50% for African countries
- A total of 38 Country Procurement Assessment Reviews completed, of which at least 50% for African countries
- A total of 40 Public Expenditure Reviews completed, of which at least 50% for African countries
- All Country Assistance Strategies prepared since July 2002 underpinned by current poverty analysis
- A total of 14 Investment Climate Assessments completed

Country Outcomes^{59/}

Education:

- Increase population-weighted average primary completion rate to 69% with a substantial number of countries reaching a higher rate
- Increase number of countries with positive growth rates in primary completion rates to 38 countries

Health:

- Increase overall coverage rate (population-weighted) of measles immunization to 60%, with a substantial number of countries reaching a higher rate
- Increase number of countries with 80% coverage of measles vaccination to 29 countries

Private Sector Development:

- Reduce time required for business start-up (in number of business days) by 7% from end-2001
- Reduce formal cost of business start-up (in percent of GDP per capita) by 7% from end-2001

^{59/} For all outcome indicators, the base set of countries will remain the same.

Encashment Schedule for IDA13 Contributions
% of total contributions

Fiscal Year	% of Total
2003	5.40
2004	13.10
2005	22.00
2006	24.50
2007	23.40
2008	11.60
Total	100.00

Table 1: Contributions to the Thirteenth Replenishment

Contributing Members	Basic Contributions		Supplemental SDR Million	Incentive SDR Million	Total Contributions SDR Million	Exchange Rates (NC /SDR) **	IDA13 NC Million
	(%)	SDR Million					
Argentina a/	0.05%	5.00			5.00	1.26451	6.32
Australia	1.46%	146.01			146.01382	2.46552	360.00
Austria	0.78%	78.16			78.16	1.43546	112.19
Bahamas, The	0.009%	0.90			0.90	1.25339	1.13
Barbados	0.002%	0.20			0.20	2.51723	0.50
Belgium	1.55%	155.31			155.31	1.43546	222.50
Brazil a/	0.61%	61.12			61.12	3.04319	186.01
Canada	3.75%	375.75	27.05		402.80	1.95189	690.40
Czech Rep.	0.05%	5.01			5.01	49.04147	245.70
Denmark	1.58%	158.32			158.32	10.69731	1,693.56
Finland	0.60%	60.12			60.12	1.43546	86.30
France	6.00%	601.20			601.20	1.43546	863.00
Germany	10.30%	1,032.23			1,032.23	1.43546	1,481.72
Greece	0.12%	11.59			11.59	1.43546	16.64
Hungary	0.06%	5.95			5.95		5.95
Iceland	0.04%	4.01			4.01	126.13175	505.54
Ireland	0.18%	18.04	16.80		34.83	1.43546	50.00
Israel	0.10%	10.02			10.02	5.31981	53.30
Italy	3.80%	380.76			380.76	1.43546	546.57
Japan	16.00%	1,603.29			1,603.29	154.58522	247,844.40
Korea	0.91%	91.18			91.18	1644.84532	149,980.29
Kuwait	0.14%	14.03			14.03	0.38833	5.45
Luxembourg	0.10%	10.02			10.02	1.43546	14.38
Mexico a/ b/	0.05%	5.01			5.01		5.01
Netherlands	2.60%	260.52			260.52	1.43546	373.97
New Zealand	0.12%	12.02			12.02	3.03567	36.50
Norway	1.52%	152.30	21.14 e/		173.44	11.49853	1,751.27
Poland a/	0.03%	3.01			3.01	5.19579	15.62
Portugal	0.20%	20.04			20.04	1.43546	28.77
Russia b/	0.08%	8.00	12.00		20.00		20.00
Saudi Arabia c/	0.39%	39.53			39.53	1.26502	50.00
Singapore a/	0.28%	28.06			28.06	2.27261	63.76
Slovak Republic a/	0.01%	1.32			1.32	61.88745	81.85
South Africa	0.08%	8.02			8.02	10.36596	83.09
Spain	1.80%	180.36			180.36	1.43546	258.90
Sweden	2.62%	262.52			262.52	13.29035	3,489.04
Switzerland	2.43%	243.49			243.49	2.17960	530.70
Turkey b/	0.09%	9.02			9.02		9.02
United Kingdom	10.14%	1,016.21			1,016.21	0.88564	900.00
United States	20.12%	2,015.78		237.15	2,252.93	1.26502	2,850.00
Venezuela a/ b/	0.03%	3.01			3.01		3.01
Sub-total	90.78%	9,096.43	55.85	237.15	9,389.43		
Supplemental contributions with attribution d/	0.56%	55.85					
Supplemental contributions without attribution	3.43%	343.88			343.88		
Unallocated gap	5.23%	523.85			286.70		
Total donor contributions	100.00%	10,020.00	55.85	237.15	10,020.00		
Memo item:							
Contribution from IDA12 carry-over for long-term cost of grants f/		100.00			100.00		

a/ Not yet in a position to commit, figure is indicative.
b/ Contributions of countries with inflation rates greater than 10% per annum during 1998-2000 will be denominated in SDRs.
c/ Assuming contributions denominated in USD.
d/ Supplemental contributions through accelerated encashments and/or additional contributions.
e/ Supplemental contributions through accelerated encashments and/or additional contributions to finance potential additional needs of up to SDR2.0 billion. Does not count towards filling the unallocated gap.
f/ Preliminary indications have been received from some donors of willingness to contribute to an agreed mechanism to meet the long-term cost of grants. The United Kingdom has indicated willingness to provide up to GBP 100 million (SDR 112.9 million) dependent on the design and funding requirements of the scheme which may be agreed during the mid-term review.
** Exchange rate averaging period April 1 to September 30, 2001.
Note: Details do not add up due to rounding.

Table 2: Subscriptions, Contributions and Votes
(to be finalized upon completion of preemptive rights exercise period)

IDA13 GRANTS: INDICATIVE ESTIMATES

Over the course of the IDA13 Replenishment negotiations, Deputies discussed a range of possible uses for IDA grants and agreed on those outlined in Section D of this Report. Based on these guidelines and on Management’s initial estimates of borrowers’ needs during the IDA13 period, rough estimates were made of the share of overall IDA13 financing expected to be delivered in the form of grants for each type of activity. These estimates are presented in the table below.^{60/} Actual levels of grant assistance will in practice vary from these estimates due to changes in the composition of country assistance programs, individual countries’ policy performance, and countries’ absorptive capacity. Deputies asked that Management put in place guidelines to manage the allocation of grants during IDA13, and they recommended that while grant shares for specific activities could differ from those presented below, the total amount of IDA grants should fall within 18-21% of overall IDA13 financing.

Grants Category	Level of Grants by Category	Grant Share of Overall IDA13 financing
1. Post Conflict ^{61/}	Up to 40%	1.5-4%
2. Natural Disaster Reconstruction	Up to 100%	1%
3. HIV/AIDS projects in all IDA-only countries	Up to 100%	4%
4. HIV/AIDS projects in IDA blend countries	Up to 25%	0.5%
5. Debt vulnerable IDA-only countries with GNP/capita equal to or less than \$360	Up to 40%	8%
6. Other IDA-only countries with GNP/capita equal to or less than \$360	Up to 23%	3-3.5%
Total	N/A	18-21%

^{60/} Estimates are rounded to the nearest 0.5%.

^{61/} Range estimates for post conflict countries reflect the uncertainties of emergence from conflict and of associated allocation requirements.

DOCUMENTS PROVIDED FOR THE IDA13 REPLENISHMENT MEETINGS^{62/}

February 27 - March 1, 2001 – Paris, France

Discussion Papers:

- A Strategy for Increasing IDA's Effectiveness in Africa (December 2000)
- IDA Eligibility, Terms and Graduation Policies (January 2001)
- Linking IDA Support to Country Performance – Recent Experience and Emerging Issues (January 2001)

Background and Technical Notes:

- A Possible Timeline for the IDA13 Negotiations (February 2001)
- Three-Year or Four-Year Replenishment Cycle – Results of Consultation with Donors (January 2001)
- Progress Report on IDA12 Implementation (February 2001)
- Highlights from Workshop on the Future of Concessional Finance (February 2001)
- A review of Environmental Issues in IDA Activities (February 2001)
- Proposed Termination of the Interim Trust Fund (February 2001)

HIPC Papers:

- Update on the HIPC Initiative and PRSP Program (February 2001)
- Financial Impact of the HIPC Initiative – First 22 country cases (February 2001)

June 6-7, 2001 – Addis Ababa, Ethiopia

Discussion Papers:

- Poverty Reduction Strategy Papers and IDA13 (May 2001)
- Adapting IDA's Performance-Based Allocations to Post-Conflict Countries (May 2001)

Background and Technical Notes:

- Sounding out Borrowers about IDA's Policy Framework, Report on a Survey (May 2001)
- Status Report of the World Bank Working Group on CPIA 2001 (May 2001)
- IDA in Latin America and the Caribbean (May 2001)
- IDA in Asia (May 2001)
- Private Sector Development Strategy Issues and Options (June 2001)
- Assistance to Post-Conflict Countries and the HIPC Framework (April 2001)
- The Challenge of Maintaining Long-Term External Debt Sustainability (April 2001)
- Public Expenditure Management and Accountability: Evolution and Current Status of World Bank Work (April 2001)
- Poverty Reduction Strategy Papers – Progress in Implementation (April 2001)

^{62/} In addition, a number of background notes and tables on financial issues were circulated to Deputies over the course of the Replenishment discussions.

OED Review Papers:

- IDA's Partnership for Poverty Reduction (FY94-00): An Independent Evaluation (May 2001)
- IDA10-12 Replenishment Undertakings: Implementation Matrix (May 2001)
- Report on Country Consultations (May 2001)
- Proceedings Note: IDA Review Exit Workshop (May 2001)
- Review of the Performance-Based Allocation System, IDA10-12 (May 2001)
- Review of Aid Coordination in an Era of Poverty Reduction Strategies (May 2001)
- Review of Private Sector Development in IDA10-12 (May 2001)
- Review of Governance – The Critical Factor, IDA10-12 (May 2001)
- Review of Environmental Sustainability Issues in IDA10-12 (May 2001)

October 22-24, 2001, Paris – France

Discussion Papers:

- Grants in IDA13 (October 2001)
- New Options for IDA Lending Terms (October 2001)
- Enhancing IDA's Performance-Based Allocation System (September 2001)

Background and Technical Notes:

- IDA's Lending Commitments, Disbursements and Funding in FY01 (September 2001)
- Measuring IDA's Effectiveness (October 2001)
- Progress Report on the Implementation of the IDA Guarantee Pilot Program (October 2001)

HIPC Papers:

- HIPC – Status of Implementation (September 2001)

December 6-7, 2001 – Montreux, Switzerland

Discussion Papers:

- Grants and Concessionality in IDA13 (November 2001)

Background and Technical Notes:

- Note on IDA13 and Private Sector Development (November 2001)
- Weighing Poverty in the IDA Allocation Formula (November 2001)
- IDA Allocations to Blend Countries (November 2001)
- The IDA Deputies: An Historical Perspective (November 2001)

May 1-2, 2002 – London, United Kingdom

Background and Technical Notes:

- Comments Received from NGOs on Draft IDA13 Report (January 2002)
- IDA, Grants, and the Structure of Official Development Assistance (January 2002)
- Measuring Outputs and Outcomes in IDA Countries (February 2002)
- Grants in IDA13: Summarizing the Options (March 2002)
- Performance Management in IDA (April 2002)
- Linking IDA Support to Country Performance (April 2002)
- Focusing IDA Grants on Poor Country Vulnerability (May 2002)

July 1, 2002 – London, United Kingdom

Background and Technical Note:

Three Options to Finance the Long-Term Costs of IDA Grants (July 2002)

Board Summaries of IDA13 Replenishment Meetings

IDA13 Replenishment Meeting – February 28 – March 1, 2001 – Paris (March 2001)

IDA13 Replenishment Meeting – June 6-7, 2001 – Addis Ababa (June 2001)

IDA13 Replenishment Meeting – October 22-24, 2001 – Paris (October 2001)

IDA13 Replenishment Meeting – December 6-7, 2001 – Montreux (December 2001)

IDA13 Replenishment Meeting – May 1-2, 2002 – London (May 2002)

IDA13 Replenishment Meeting – July 1, 2002 – London (July 2002)