IDA16 MID-TERM REVIEW

SUMMARY NOTE

DELIVERING DEVELOPMENT RESULTS

IDA Resource Mobilization Department
Concessional Finance and Global Partnerships

November 2012
Acronyms and Abbreviations

Fiscal Year
July 1 – June 30

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<th>Acronym</th>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
<td>IFC</td>
<td>International Finance Cooperation</td>
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<td>CFP</td>
<td>Concessional Finance and Global Partnerships Vice-Presidency</td>
<td>ISN</td>
<td>Interim Strategy Note</td>
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<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
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<td>Low Income Countries Under Stress</td>
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<td>CRW</td>
<td>Crisis Response Window</td>
<td>MDB</td>
<td>Multilateral Development Banks</td>
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<td>DEC</td>
<td>Development Economics Vice-Presidency</td>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>Development Policy Lending</td>
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<td>Multilateral Debt Relief Initiative</td>
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<td>Debt Sustainability Framework</td>
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<td>Multilateral Investment Guarantee Agency</td>
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<td>EU</td>
<td>European Union</td>
<td>MTR</td>
<td>Mid-Term Review</td>
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<td>FCC</td>
<td>Fragile and Conflict-affected Country</td>
<td>PBA</td>
<td>Performance-Based Allocation</td>
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<td>HRF</td>
<td>Haiti Reconstruction Fund</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
<td>RMS</td>
<td>Results Measurement System</td>
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<td>IDA</td>
<td>International Development Association</td>
<td>UN</td>
<td>United Nations</td>
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<td>IEG</td>
<td>Independent Evaluation Group</td>
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I. INTRODUCTION

1. At the Sixteenth Replenishment of the International Development Association (IDA) in December 2010, IDA Deputies selected delivering development results as the overarching theme for IDA16, along with crisis response, gender, climate change, and fragile and conflict-affected countries as “special themes”. Record level financing and an ambitious package of policy measures and performance targets that underpin this financing aimed at ensuring that IDA delivers results to IDA countries.

2. This note summarizes progress in implementing IDA16 and summarizes issues on which Management is seeking endorsement or feedback from IDA Deputies. The note is organized as follows: Section II will summarize the highlights made to date on IDA activities in IDA16; Section III reviews progress on the IDA16 RMS; Section IV reviews implementation of the IDA16 special themes, and Section V is a forward looking section that outlines the areas on which management is seeking the agreement of IDA Deputies either for the remainder of the IDA16 period, or for further work during the IDA17 replenishment.

II. HIGHLIGHTS OF ACTIVITIES IN IDA16

3. IDA16 is off to a strong start with commitments amounting to SDR12.8 billion (US$20 billion) as of October 15, 2012. The Africa region accounted for close to half of total commitments. Infrastructure represented 31 percent of total commitments, followed by 24 percent for support for social sectors (education, health and social services), and 23 percent for public administration and law. Investment lending represented 87 percent of all commitments in FY12, and development policy lending accounted for the remaining 13 percent. The strong level of commitments early in IDA16 reflects important drivers, notably:

- The sustained increase of the regional portfolio with outstanding commitments to date estimated at approximately US$6 billion. For the IDA16 period, SDR 1.16 billion (US$1.75 billion) have been committed, representing close to 80 percent of the IDA16 set aside for regional programs.

- Exceptional and timely funding provided through the Crisis Response Window (CRW) in response to the earthquake in Haiti and the drought in the Horn of Africa. Thus far, US$259 million of a US$500 million package to support Haiti after the earthquake has been committed. The CRW also provided US$250 million for the Horn of Africa as part of the US$1.88 billion response plan. Seven Horn of Africa operations with partial or full CRW financing amounting to US$845 million have been approved to date.

4. Disbursements have continued to increase and reached US$11.1 billion in FY12 compared to an annual average of US$10.3 billion in the IDA15 period. This continues the upward trend in disbursements since IDA13. Disbursements were highest in the Africa region (US$5.7 billion), followed by South Asia (US$2.9 billion). The sectoral composition of disbursements mirrors that of commitments, with infrastructure, social sectors and public administration and law accounting for 30 percent, 28 percent and 24 percent, respectively.
III. IDA’S PERFORMANCE AGAINST THE IDA16 RMS

5. Delivering development results is the overarching theme for IDA16. Accordingly, IDA 16 has placed stronger focus on measuring, monitoring and communicating the outcomes and results of IDA-supported programs. In particular, IDA has significantly enhanced its Results Measurement System (RMS), by including two additional tiers to track IDA’s operational and organizational effectiveness (Tiers 3 and 4). The ensuing RMS’s four-tier structure provided the basis for the development of the Bank’s Corporate Scorecard. Updates to the RMS also include: the introduction of indicators for monitoring of IDA16 special themes (gender, climate change and support to FCCs); expansion of reporting on core indicators from four to seven sectors; and introduction of performance standards.

6. Overall, IDA has performed well against the IDA 16 RMS, although there are areas that require additional attention. Key developments are described below.

7. Tier 1: measures of progress in IDA Countries outcomes show overall improvement. The per capita Gross Domestic Product (GDP) of IDA countries increased despite the global crises, while the percentage of people living on less than US$1.25 and US$ 2 a day declined. There has been some progress in the environment for private sector development while quality of public financial management has declined slightly. Performance on access to key infrastructure has been good with significant improvements in expansion of telephone services and modest improvements in access to improved water source, sanitation and electricity. There has also been progress on the education and other human development MDGs, however, most IDA countries are lagging behind the health-related MDGs. Also, despite progress made, significant gaps remain in statistical capacity and results monitoring in IDA countries, highlighting the need for IDA to step up efforts in these areas.

8. Tier 2: indicators of IDA’s contribution to development outcomes provide a mixed view. In terms of number of projects (based on a partial sample of projects exiting in FY09-FY11), development outcomes for IDA operations in fragile situations met the IDA16 performance standard (70 percent), while those in all IDA countries fell short of the IDA16 performance standard (69 percent versus 75 percent). On a commitment basis, however, development outcomes were rated satisfactory or better in 75 percent of all IDA operations (81 percent in FCCs). Development outcomes for CASs improved but were still below the IDA16 performance standard. To ensure the quality of operations and development outcomes and that IDA16 performance standards are met, Management has put in place new quality assurance measures to address identified challenges. At the same time, there has been impressive progress on the achievement of sectoral outputs and outcomes with significant contributions made to the health and welfare of women and children. In addition, Management has expanded core sector indicators for use in results frameworks.

9. Tier 3: a new tier was added in IDA16 to track IDA’s operational effectiveness against performance standards. Indicators show improvements in the quality of design of operations; the results orientation of projects, including by increases in the number of impact evaluations; and use of country systems, particularly monitoring and evaluation and financial management. In addition, IDA has performed strongly against the performance standards set out
for some the IDA16 special themes, with all CASs discussing gender and climate change vulnerabilities.

10. **Tier 4: another new tier added to measure IDA’s organizational effectiveness shows progress across several dimensions.** This tier was added in IDA16 in recognition of the importance of reporting on the progress of internal reform that the Bank is undertaking to further enhance efficiency, effectiveness and value for money in achieving development results. IDA is on track to meet the tier 4 commitments: speed and lending delivery have improved; IDA16 performance standards on decentralization have been largely met; use of policy lending continued to be strengthened; the five elements of the 2009 investment lending (IL) reform package (including a risk-based approach, enhanced implementation support, rationalization of financing options, a better enabling environment, and reform of the IL policy framework) are all under implementation. The last element of the 2009 IL reform package, the reform of the IL policy framework, was approved by the Board on October 25. In addition, a new instrument, the Program-for-Results instrument, was approved in January 2012 and is already operational (with two IDA operations approved).

### IV. Implementation of IDA16 Special Themes

11. **Good progress has been made in implementing IDA16 gender-related commitments, in particular mainstreaming gender in IDA CASs and projects.** Specifically: a) the World Development Report on Gender Equality and Development was launched and widely disseminated; b) 100 percent of IDA CASs in FY12 discussed the findings of a gender assessment and were rated highly satisfactory from a gender perspective; c) IDA achieved a 16 percent increase in the share of gender-informed IDA projects in FY12 relative to FY11; d) regional gender actions plans have been completed in two regions (Latin America and the Caribbean, and East Asia and the Pacific), while the other four regions are planning to finalize their plans by the end of 2012, and e) significant progress was made in tracking gender dimensions in IDA’s support to education, reproductive health, safety nets, agriculture and rural development and in fragile and conflict-affected countries.

12. **Several actions have been taken to increase the capacity of staff and counterparts to better integrate gender in IDA’s work.** These include good practice notes for operational staff and the inclusion of gender into the Bank’s learning strategy; with the introduction of a new Gender and Development Seminar Series and Community of Practice, the inclusion of gender modules in CAS and DPL training, and inclusion of gender in major events prepared with other development partners.

13. **Similarly, substantial progress has been made in mainstreaming climate change in IDA CASs and projects, highlighting how climate change is a core development challenge for many IDA countries.** Specifically, all CASs in FY12 included a discussion of country vulnerability to climate change and five out of the 12 CASs included actions on climate mitigation, especially through energy efficiency and renewable energy. Analytical work, investments and technical assistance on climate change were also a feature in the work programs in most CASs. A number of additional innovative analytical and technical assistance tools are underway, such as the Rapid Assessment of Climate Change tool being developed for the energy sector, and the Open Climate Data Initiative to increase the availability of the latest knowledge
and quality data to support climate impacts, and risk analysis to development at the country level.

14. **Notably, the World Bank is among the first international development institutions to have developed a system for monitoring and reporting transparently and consistently funding that contributes to climate change adaptation and/or mitigation.** This is a major breakthrough which enables IDA to report on financing commitments with adaptation and mitigation co-benefits. Based on this system, IDA lending commitments with potential adaptation co-benefits were estimated at US$2.3 billion in FY12 (up 61 percent on FY11), while those with mitigation co-benefits were also estimated at US$2.3 billion (up 161 percent over FY11). The system builds on the internationally-recognized Rio Markers for climate change, but takes it one step further to ensure greater accuracy in reporting.

15. **IDA has made progress in enhancing support to Fragile and Conflict-affected Countries, in line with the findings of the 2011 WDR.** Significant progress has been achieved in implementing the specific IDA16 monitorable actions which, building on measures taken in past IDA replenishments, relate to: (1) strengthening the Bank’s operational effectiveness in FCCs; and (2) developing recommendations to simplify and adjust the framework for allocating IDA resources to FCCs (see below). IDA’s work in these areas has also benefited from the discussions of the IDA16 Working Group on FCCs, which highlighted the importance of considering the heterogeneity and vulnerability of fragility and conflict situations and of aligning the ongoing work with the recommendations of the New Deal. Notably, the Bank’s operational policies relevant for FCCs are being revised as part of the Investment Lending (IL) and modernization reform. The consolidated IL policy (approved by the Board on October 25, 2012) will introduce a differentiated approach to FCCs with streamlined approval procedures, a wider range of operational implementation modalities (including through UN agencies and CSOs) and a more comprehensive risk framework that incorporates the risk of inaction. In addition, as part of the modernization agenda, staffing options are being expanded to increase effectiveness of FCC programs. These efforts have brought improvements in the FCC portfolio, with the quality of projects exiting in FY10-FY12 being on par with the rest of the IDA portfolio. The Bank is also partnering with the g7+ and supporting the development of state and peace building indicators that can guide future interventions in FCCs.

16. **The IDA16 dedicated CRW has drawn upon the lessons learned from the implementation of the Pilot CRW in IDA15 on the need for an increased selectivity in terms of country coverage based on crisis impact, and utilizing a broader range of indicators to assess impact, including fiscal indicators.** Of SDR1.335 billion set aside to finance the CRW during the IDA16 period, SDR487 million has already been committed to respond to the devastating earthquake that hit Haiti in January 2010, and to provide a fast and flexible response to the drought affecting multiple countries in the Horn of Africa.

17. **IDA’s ability to respond to crises has been improved through the Immediate Response Mechanism (IRM).** The IRM, introduced in December 2011, enables participating IDA countries to rapidly access up to 5 percent of their undisbursed IDA investment project balances following an emergency or crisis. The Bank is also developing an early warning global food price monitoring system that is expected to further enhance IDA’s capacity to promptly mobilize a response to food price shocks.
V. LOOKING FORWARD

18. **At the IDA 16 Mid Term Review (MTR), guidance is being sought from Deputies and Borrower Representatives** on two set of issues: (a) specific proposals that would take effect in the remainder of the IDA16 period, and (b) the directions being proposed by Management in the MTR papers for further work during the IDA17 replenishment period. These issues, which are discussed in detail in the MTR papers, are briefly presented below.

**Proposals for Decisions to take effect in IDA16**

19. **Possible reallocation of unused CRW resources.** To ensure maximum use of IDA resources, Management is proposing Deputies to consider a reallocation of a portion of the unused CRW funding as follows: SDR315 million could be allocated to increase support for a large unfunded pipeline of regional projects that could be presented to the World Bank Board in FY14. Deputies are also asked to agree in principle to reallocate up to SDR160 million to be used in support of scale up financing for faster progress on MDGs 4 and 5 (see Annex for rationale). SDR370 million would remain in the CRW with which to respond to potential crisis in the remainder of IDA16, and if unused, would be carried over to IDA17. Crisis response remains the highest priority for CRW funds. In the event that continued global economic uncertainties or other vulnerabilities result in demand that exceeds the proposed SDR370 million CRW reserve, reallocated but uncommitted resources (for MDGs 4 and 5 and/or regional programs) could be tapped for crisis response.

20. **Revision of the criterion to access regional grants.** Management proposes to change the eligibility criterion to include the possibility of providing grants to regional institutions that may not be directly associated with ongoing regional IDA investments, if these institutions have a critical role to play in policy reforms and drive the agenda on regional integration in the various sub-regions. If approved, this change in criterion would apply for the remainder of the IDA16 period and forward.

21. **Proposed changes to the RMS.** These related to replacing two Tier 1 indicators with more readily monitorable indicators, and adding three new indicators to Tier 2 for urban services for the poor, agriculture, and energy.

**Directions of further work during the IDA17 replenishment**

22. **Options for simplifying and adjusting the FCCs resource allocation framework.** Feedback from IDA Deputies and Borrower Representatives is requested on a set of options presented in the FCCs paper, which include: (1) case-by-case extension of the phase out period from the exceptional allocation regimes for post-conflict and re-engaging countries; (2) increase of the notional per-capita allocations for post-conflict and re-engaging countries; (3) increase of

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1. See IDA16 Mid-Term Review paper “Enhancing IDA’s Capacity to Respond to Crises”, section III. C.
2. See IDA16 Mid-Term Review paper “IDA Regional Integration Program: Progress Update and Review of the Provision of Grants to Regional Organizations”, section V.
3. See IDA16 Mid-Term Review paper “IDA Regional Integration Program: Progress Update and Review of the Provision of Grants to Regional Organizations”, para. 19
4. See IDA16 Mid-Term Review paper “Implementation and Results Progress Report”, section III.
the minimum base allocation; (4) elimination of the remaining MDRI netting out; (5) provision of exceptional allocations to “turn-around” situations; and (6) reducing the country performance rating exponent in the allocation formula. Collectively, these measures would represent a significant realignment of IDA’s financial support to FCCs in line with the 2011 WDR and the opportunities represented by the New Deal. First, they would reduce the volatility in the allocations to FCCs and recognize the long time frames required for establishing legitimate institutions. Second, they would enhance IDA’s flexibility to provide quick support to turn-around countries (that are not post-conflict or re-engaging) in response to unforeseen opportunities to strengthen coalitions for stability and growth and avoid “fragility traps”. Third, applying these options would enhance the poverty-orientation of the allocation system, while retaining the basic principle of the performance orientation that has been a hallmark of IDA. However, the precise parameters for the increased support to FCCs will need to take into account potential trade-offs which, in turn, will depend on the size and other modalities of the IDA 17 replenishment.

23. **Regional Transformational Projects.** Management is also considering how the Bank can expand its role in facilitating the preparation and completion of regional transformational projects whose financing needs are significant. These are projects often within a single country (such as a large hydroelectric project) that would have a transformational impact in the country where the bulk of the works are located, as well as in neighboring countries. Or they are projects whose implementation expands over several countries but for which IDA is providing assistance to just one or two countries. The preparation of such projects are often not financed and realized because a combination of country and financial risk factors makes them unattractive to private sector investors in their early phases. The paper on the IDA regional integration program offers to develop a detailed proposal for how IDA can play an expanded role in financing the preparation of highly transformational projects to be submitted for discussion in the course of the IDA17 replenishment negotiations.

24. **MDRI Netting Out.** The report on the MDRI mechanisms proposes that the full elimination of MDRI netting out could be further discussed during the IDA17 replenishment. It argues that given the disproportionate share of FCCs among the MDRI recipients, eliminating the MDRI netting out could be considered as one of the measures to strengthen IDA support to FCCs going forward. In addition, elimination of the netting out mechanism would simplify and enhance the transparency of the PBA system, eliminating the asymmetric allocation impact for many IDA countries and increasing support to African countries.

25. **Graduation and transition support.** In the graduation paper, Deputies’ views are sought on the current graduation policy and on how best to approach the provision of transitional support for graduating countries to smooth their transition from IDA-eligibility to IBRD-only status. The paper discusses the need for clear rules for granting access to such support, but given the diversity of situations of IDA countries in general, and in particular those with possible upcoming graduations, a case-by-case approach may be warranted. Such decisions could be informed by the country’s: i) level of dependence on IDA financing; ii) debt sustainability and macroeconomic prospects; and iii) level of access to alternative sources of funding and its terms.

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5 In formulating these options, Management has also drawn on informal feedback received in the context of the FCCs Working Group.
Aspects linked to poverty and GNI per capita could also inform these decisions, which would require clear signals demonstrating the country’s commitment to address poverty issues as part of a strong national plan as a pre-requisite to transitional support. Whether transitional financing would support broad country priorities or be more targeted will also require more discussion. Management proposes to undertake early discussions with IDA Deputies and IDA countries in the context of the IDA17 replenishment process to further elaborate on the specifics of these options, and to assess their potential in terms of providing support to graduating countries.

26. **Strategic Directions for IDA 17.** IDA Deputies and Borrower Representatives are asked to provide feedback at the IDA 16 MTR brainstorming session on the strategic directions for IDA 17.
Annex 1: Scaling up Assistance for MDGs 4 and 5 through IDA

Background: At the September 25, 2012 “Every Woman, Every Child” event at the UN General Assembly, World Bank Group President Jim Kim announced that the Bank would explore with IDA shareholders and other interested parties the possibility of establishing a special funding mechanism to scale up support for Millennium Development Goals 4 and 5 through IDA. The announcement followed earlier calls from the Partnership for Maternal, Newborn and Child Health (PMNCH)—a broad alliance with over 450 members, including donor and IDA partner country governments, the World Bank and other international agencies, civil society and the private sector—and potential donors on the urgent need to accelerate progress on MDGs 4 and 5. The PMNCH formally requested the Bank to explore an effective financing mechanism for channeling additional resources for improving women and children’s health.

Rationale: Despite a significant increase in development assistance for health over the past decade, resources to support maternal and child health have remained stagnant. Progress on MDG 4 (to reduce child mortality) and 5a (to reduce maternal mortality) remains a serious challenge in most IDA countries. Of the 75 countries with the highest burden of maternal and child mortality, 56 are IDA countries. Over 80 percent of IDA countries are off track to achieve the MDG 4 target by 2015, and more than 70 percent are off target to meet MDG 5a. Improving these outcomes requires not only improvements in supply and demand interventions but also additional resources to overcome existing barriers to access to quality service delivery. The most significant drivers of maternal and child mortality relate to healthy pregnancy, safe delivery, and quality basic health care, rather than to any one particular disease. This requires a health systems approach to complement the priority disease-focused approach that has attracted the bulk of additional health aid. In addition to strong networks of practitioners, resources, and information, robust health systems require targeted investments beyond the health sector, including in critical areas such as infrastructure, water and sanitation, education, social protection, and labor markets. These are areas where the Bank has a strong comparative advantage and value-added; the Bank does not focus on only one disease or condition, but rather looks at health as a whole, and the impact it has on development.

Scaling Up IDA’s Role in Women’s and Children’s Health: Strengthening health systems and addressing the multi-sectoral determinants of health are at the center of the World Bank’s 2007 Health, Nutrition and Population 10-year strategy, Healthy Development. Building on this strategy, in May 2010 the Bank launched a five-year Reproductive Health Action Plan (RHAP), which focuses on strengthening health systems to provide equitable, quality services across the continuum of care so that the poorest and most vulnerable women, newborns, and young children can access and receive the quality care they need, when they need it, to lead healthy, productive lives. Since the launch of the RHAP, there has been considerable progress. For example, all new Bank Country Assistance Strategies and Country Partnership Strategies have included discussion of these issues; more that 70 percent of Bank-financed health projects in high-burden countries include reproductive health components or indicators; and more results-based financing has increased the number of mothers and children with access to lifesaving care. However, much more needs to be done. Most IDA countries will not be able to achieve MDGs 4 and 5 without additional resources targeted for improving delivery systems to support women’s and children’s health. Providing a mechanism for channeling these additional resources will allow IDA both to
respond to existing unmet demand and to incentivize countries to invest more to save lives and ensure equitable access to quality health services for women and children.

**IDA as a Channel for Additional Resources for MDGs 4 and 5:** IDA is uniquely positioned to provide leadership on accelerating progress to reach MDGs 4 and 5. Achieving the MDGs in the 56 priority IDA countries will require a major scale-up, most notably in sub-Saharan Africa, South Asia, and parts of East Asia and the Pacific, and the Bank’s strategic focus on health systems strengthening and multi-sectoral investments can provide the comprehensive and sustainable approach needed. The use of IDA to channel additional resources for MDGs 4 and 5 would have a number of benefits:

- IDA’s *country-led model* works through client governments to support their own development objectives, reinforcing country ownership.
- Scaled up financing for MDGs 4 and 5 could be used to top up resources committed from a country’s regular IDA allocation, responding to unmet demand and providing an incentive for governments to invest in this area.
- An IDA-leveraged mechanism would reduce risks of fragmentation and substitution associated with the creation of new, stand-alone funds. This would be consistent with the “think twice” principle (i.e., before committing to additional global funds) agreed as part of the Accra Agenda for Action and reaffirmed in Busan regarding the commitment to use existing mechanisms.
- Support for MDGs 4 and 5 is already an integral part of IDA16 commitments on gender (which includes the Bank’s Reproductive Health Action Plan) and fragile and conflict-affected countries (where there is the greatest need for accelerating progress); in addition, progress on MDG 4 and 5 related indicators is tracked under IDA’s results measurement system (RMS).

**How Would an IDA-Leveraged Additional Funding Mechanism Work?**

- While IDA replenishments are held once every three years, IDA is legally able to receive additional contributions at any time.
- Additional donor contributions to IDA for targeted, high profile initiatives are not unprecedented. Supplemental donor resources could be contributed alongside current IDA resources (as they were in the case of the Pilot Crisis Response Window in IDA15) and used to increase attention on countries with significant deficits on MDGs 4 and 5. The combined resources could be programmed through an approach similar to the Multi-country HIV/AIDS Program (MAP) or the Global Avian Flu Program in the past.
- IDA’s country demand-driven model does not permit earmarking in advance; however, using additional contributions to top up existing IDA resources can provide incentives for investments in defined priority areas.
- Discussions with interested donors are ongoing and could result in supplemental contributions to IDA. In the meantime, IDA Management recommends reallocation of up to SDR160 million from the IDA16 Crisis Response Window in support of scaled up financing for MDGs 4 and 5.
• IDA currently commits around US$240 million per year for MDGs 4 and 5 in the 56 high burden countries and will continue to focus attention on these countries. Reallocated CRW resources could be used to rapidly scale up operations based on the existing FY14 project pipeline.

• Projects would be prioritized based on fit with national health strategies, project readiness, and additionality of resources to ongoing country efforts on MDGs 4 and 5. In addition, prioritization would be based on several guiding principles: target the highest burden countries, ensure ownership and commitment from governments, support stronger M&E frameworks, promote complementarity and coordination with investments from other sources, and leverage existing Bank resources. Any supplemental contributions from donors could then be used to expand these actions.