ISE

IDA 18: Challenges and Opportunities in Implementation in Fragile and Conflict-Affected States
Event Brief:
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Acknowledging the development challenges facing the world's poorest countries, over 60 donor and partner countries gathered over the course of 2016 to negotiate the eighteenth replenishment of the International Development Association (IDA). IDA 18, as the replenishment is known, concluded with a record $75 billion in pledges and contains an ambitious agenda to combat extreme poverty; reduce conflict, fragility and violence; tackle displacement; mitigate the effects of climate change; and support governance and institution building. IDA 18 makes a particularly strong commitment toward fragile and conflict-affected states (FCS), doubling their dedicated funding, from $7 billion to $14 billion, over the three years of the current round.

On the occasion of the conclusion of IDA 18 negotiations, the Institute for State Effectiveness convened a roundtable among development practitioners and thought leaders to explore the innovative IDA 18 agenda and consider what further actions are needed to advance development outcomes. The following is a summary of the issues considered at this event.

Recent Innovations in IDA 18

1. Risk management, specifically de-risking fragile contexts.

The World Bank recognizes that risk management is particularly important to ensuring intended outcomes. The way in which risk is handled, particularly in fragile and conflict-affected states, can have a critical impact on the success of the assistance. But IDA 18 is not only focused on crisis response. For the World Bank to be able to program the increased allocation toward FCS, it will have to look for ways to reduce and manage risks at all stages. The Bank is focused on the entire "risk chain" from prevention through conflict to post-conflict reconstruction and development.

This shift in mindset could help anticipate and prevent crises. Building on IDA17, and especially the Turn-Around Regime (TAR) initiated then, IDA18 includes an exceptional funding window aimed at shoring up development gains in particular countries to mitigate the risk of conflict or instability. Projects funded by the window will be piloted in Guinea, Nepal, Niger, and Tajikistan. The window will also incentivize private sector activity.

De-risking can also incentivize private sector investment in frontier markets. IDA 18 includes a $2.5 billion Private Sector Window. The window's Risk Mitigation Facility provides project-based guarantees without sovereign indemnity while its Local Currency Facility helps to mitigate currency risk in under-developed markets.

There remains a broader question about the signals that international donors give, both bilaterally and as part of their participation in the World Bank. Often donors say they want greater flexibility and risk tolerance, but they prioritize fiduciary risks in their own bilateral programs and approaches. How broader development goals are balanced against fiduciary risk remains in tension.

2. A focus on country systems.

IDA 18 included for the first time a special theme on governance and institutions, signaling the World Bank's commitment to supporting country systems that can break cycles of poverty and violence. "IDA supports client countries to build open, effective, and accountable institutions for inclusive development. This involves both a focus on: (i) strengthening of core systems at the center of government…and (ii) development of a public sector grounded in transparency, which combines fiscal transparency, technological innovation and citizen participation to increase trust between governments and citizens."[1]

One person familiar with the IDA 18 negotiations reported that while priorities such as transparency and domestic resource mobilization and the principles of the Open Government Partnership were broadly agreed as being good to include in the final report, it was more difficult to achieve consensus on public administration reform. The question of how to build the capacity of states to deliver services to citizens remains a difficult one. (For more information on ISE's innovative approach to building country systems, see ISE's Development Practice Notes)

3. Consideration of regional patterns of fragility and the nexus between humanitarian relief, development, and peace.

In IDA 18, the World Bank is giving increased consideration to the consequences of fragility. In its final report, IDA deputies note that "fragility, conflict, and violence risks affect countries beyond the list of fragile and conflict-affected states and can have regional and/or global dimensions. Fragility can also be found in higher-capacity countries, and at sub-national levels. The causes and consequences of fragility are often not confined within borders and this always carries the potential of negative spill-overs into other countries."[2]

IDA 18 introduces a number of innovative measures to respond to spill-over consequences of protracted conflict, specifically displacement. The current round includes $1.4 billion for a Regional Sub-Window for Refugees to focus on the medium-to-longer-term development needs of both refugees and host communities. To be eligible for funds from this special sub-window, host countries will have to develop a government action plan or strategy for their response to the refugee situation in their countries.

The World Bank will increase focus on the nexus between humanitarian, development, and peace. IDA 18 will deepen partnerships with other multilateral development banks (MDBs) as well as with the United Nations. These will be focused on specific priorities, for example, a joint MDB secretariat to operationalize a new strategy to tackle forced displacement. The World Bank and the UN will work to do more joint work at the country level, including joint assessments, plans, and programs. The World Bank is also looking to adapt rules and systems to improve the "inter-operability" between the WBG and the UN, specifically to facilitate UN agency participation in IDA-funded projects. One country where this type of practice is occurring is Yemen, where the World Bank is funding two health initiatives via the World Health Organization and the United Nations Children's Fund while the rest of its portfolio is suspended due to the ongoing conflict.

4. Internal World Bank operations and practices.

To meet many of the rising aspirations of citizens, states, and investors—including many of the goals articulated in IDA 18—some internal WBG policies and practices will require reform. First, the incentive structure will be altered to ensure that innovative and successful practices are rewarded.

[1] International Development Association, "Report from the Executive Directors of the International Development Association to the Board of Governors," Washington DC: World Bank, 2017.
[2] Ibid.

Second, the monitoring and evaluation of results will need to evolve. Here, there is an inherent tension between short- and long-term time horizons. It can take decades for a country to emerge from fragility and violence, but the work of reform is often measured by short-term projects in annual funding cycles. Shareholders seem to prefer seeing impact in the short term. This is an area where the development community of practice can come together to figure out how to build a results matrix that captures the real time feedback loop. Donors' strategic patience can grow if they are shown progress over the long term.

Third, for IDA 18 to be optimized in FCS, the World Bank's staff incentives and staffing patterns will be strengthened. The WBG aims to build up its staffing footprint in FCS and ensure that all staff in-country can support impact. IDA 18 has introduced the Global Mobility Support Framework, which is aimed at focusing on careers in operations and in FCS in particular. The WBG has a goal to recruit 150 staff members for fragile states over the IDA 18 period and will provide certain incentives to staff members in fragile environments.

Considerations for Future Approaches

At the ISE roundtable, participants discussed potential considerations for the World Bank and IDA 18 to ensure optimal outcomes. Three main themes emerged:

1. Clarify what we mean by "fragility."

There was some concern that "fragility" is an overly broad term and that because of its diffuse meaning, it risks driving misguided interventions. Rather than trying to tackle fragility in an abstract sense, the World Bank could classify conditions or drivers of fragility. For each fragile state, the Bank could identify one or two aspects of fragility (e.g., food insecurity) and apply strategies to tackle each.

2. Improve longitudinal measurements.

While much of the data revolution has benefitted developing countries, the picture is not as clear in fragile states. For fragile states, establishing a solid data floor would be useful. Rather than collecting and producing reams of flawed data, the World Bank could decide to collect four metrics over time, no matter the obstacles. These metrics would help craft a longitudinal picture as to the real trajectory of the country. Examples of good metrics could be stunting, infant mortality, and deaths from conflict. This would give a clearer sense of the impact in FCS.

3. Focus on strategic donor coordination.

The WBG could do more donor coordination at the strategic priority-setting level. Identifying a few aspects of fragility to tackle in each country could help focus donor coordination and donors' efforts. The World Bank is making a good start to this by focusing on the humanitarian-development-peace nexus and engaging with a broader range of partners in this. Strategic donor coordination could be a natural extension of these efforts.

The replenishment of IDA and the innovative agenda it contains is part of a broader reconsideration of development financing and the goal of moving from "billions to trillions" in development assistance. Looking again at issues of risk management, staffing patterns and incentives, and strategies to support core country systems will be critical for the World Bank to best deliver on the goals of IDA 18 and help chart a new course for development financing.