

Oxfam Position paper on IDA19 Replenishment

May 2019

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AID AND INEQUALITY

Today we live in a world of plenty, yet 10% of the world lives in extreme poverty. Today, 26 people own the same wealth as the bottom half of humanity. In the face of this injustice 2015 saw world leaders commit to an ambitious set of goals to tackle poverty, insecurity and inequality by 2030: the Sustainable Development Goals (SDGs). The scale of the poverty and inequality challenge for the poorest countries is significant; it is projected that hundreds of millions of people will still be living in extreme poverty by 2030, and the majority will be women and girls. Poor people will also increasingly live in the countries that lack the resources to tackle poverty and face high levels of economic inequality. This is a double challenge, as there are limited options for such countries to increase spending to tackle poverty, and inequality is widely evidenced to stand in the way of poverty reduction. In this context, aid is a crucial financial flow, and also has an important new mission to tackle inequality and poverty.

While two in five countries in sub-Saharan Africa are facing a major debt crisis, since 2013, concessional resources available to Low-Income Country (LIC) governments have either reduced or stagnated, increasing their reliance on non-concessional external finance to cover gaps in government expenditures, which can be a serious threat to their stability and ability to deliver public services.

For donors to rise to these various challenges and ambitions, they must commit to strong levels of aid, but importantly ensure that firstly aid is doing no harm and secondly that aid is designed and delivered in ways that will maximize its positive impact on poverty and inequality reduction.¹

WHY IDA?

We continue to believe that IDA is a critical place for donors to be putting their aid dollars and we call on donors to fully replenish IDA during this 19th replenishment round, at minimum matching their IDA18 contributions in local currencies. Any changes in levels of concessionality of the contributions should nevertheless ensure that total *grant* contributions to IDA remain at or above IDA18 levels. IDA is:

- One of the largest sources of concessional finance that Lower Income Countries depend on.
- One of the biggest providers of financing for core support for human development services such as health and education, key to reducing inequalities in countries.
- There is a benefit of distributing aid through multilateral sources as the World Bank, since it is often less political and buffered from the interests of individual donor countries, and rather can focus on development priorities.
- IDA performs well on many aspects of aid effectiveness, especially country ownership over development priorities, predictability of financing, and transparency. IDA continues to be ranked highly in global rankings on aid transparency.
- The World Bank has established twin goals that ensures all IDA funds are contributing to ending extreme poverty or boosting shared prosperity. Donors should push the World Bank to be accountable to those goals and maximize the impact of your aid dollars.

We welcome donor agreement to continue with the special themes from IDA19 and integrate important cross-cutting themes. With a strong replenishment, we urge donors to commit the Bank to a strong

¹ Extract from Oxfam (2019) Hitting the Target: An agenda for aid in times of extreme inequality

programmatic and policy agenda for IDA19 across these themes that will make sure it is delivering and tracking impact on poverty and inequality through all its available tools and instruments.

Given persistent challenges related to debt and inequality, Oxfam recommends a revision of the IDA graduation criteria to include measures of economic inequality, including IHDI, as well as income and wealth gini and palma ratios, as additional main criteria to assess readiness to graduate IDA alongside GNI per capita and creditworthiness. A robust debt sustainability analysis and ensuring countries have adequate current and projected resources to finance and deliver essential public services is also critical. To help prepare countries for graduation, we propose that the Bank pay particular attention to domestic resource mobilization that is progressive, and to public services. See Annex 1 for more details.

SPECIAL AND CROSS-CUTTING THEMES

1. SPECIAL THEME: GENDER

i. EDUCATION - Cross-cutting themes: Human Capital and Inclusion

Recommended IDA19 Policy Action: All primary and secondary education operations will support governments to strengthen quality *public education provision* that addresses gender-based disparities and other forms of exclusion including through removing financial barriers.

- **Proposed RMS Indicator:** Number of operations that strengthen public education provision to address gender-based disparities and other forms of exclusion
- **Proposed RMS Indicator:** All TA/ASA for education is oriented toward strengthening public education provision that addresses gender disparities, including the Systems Approach for Better Education Results (SABER) program.

Recommended IDA19 Policy Action: IFC ceases funding for-profit schools at primary and secondary level, including through the IDA Private Sector Window, and ensures non-provision investments help to strengthen public education provision.

Rationale:

Gender inequalities in education persist. Globally, 263 million children remain out of school across both primary and secondary levels. They are still disproportionately girls at primary level, and at secondary level girls face disparities in enrolment and completion, especially in low-income countries and in lower-income populations.² For example, a girl from a poor family in Nepal only receives on average one year in school while a girl from a wealthy family receives nine. In sub-Saharan Africa, 86 girls completed lower secondary education for every 100 boys. This is an urgent unfinished agenda.

Gender inequality in private education. Oxfam is deeply concerned about the negative gender impacts of market-oriented private education provision. Women and girls are at greater risk of being

² Unless otherwise noted, all evidence and data in this section can be found with appropriate references in Oxfam's 2019 report, *False Promises: How Delivering education through public-private partnerships risks fueling inequality instead of achieving quality education for all*. <https://www.oxfam.org/en/research/false-promises>

marginalized by ‘low-fee’ and for-profit private schools. A DFID-funded review of the academic evidence found that private schools are not equally accessed by boys and girls, and several new studies have reinforced this finding. Recent data from India shows that of all children enrolled in private primary schools, 56% were boys while only 44% were girls.³ School fees, even those considered low, restrict girls’ access to schooling as parents often prefer to send boys when household funds are limited. The widespread elimination of user fees in primary schools in the 2000s meant tens of millions of girls were able to go to school, however the expansion of low-fee private schools threatens to undermine this progress.

Gender concerns are also raised by public-private partnerships (PPPs) for education provision, especially market-oriented PPPs that partner with for-profit schools or seek to expand the market for private education. Though some PPP programs do not allow formal fees to be charged, PPP schools often do not comply with such regulations or levy substantial informal fees and additional costs. For example, this is the case in Argentina, India, Pakistan, and Uganda; high costs are therefore likely to be a continued barrier to access and retention for girls in PPP contexts. Low-fee private schools also cut costs by relying on poorly qualified teachers who are paid very low salaries with often poor working conditions. In addition to education quality concerns, PPPs that fund such schools raise concerns about labor rights for women, who disproportionately hold teaching jobs in most regions of the world. Oxfam research in Punjab, Pakistan found that teachers in sampled PPP schools, who are predominantly female and poorly qualified, are paid on average less than half the minimum wage and receive little training.⁴

Economic and social inequalities in PPPs. Recent academic studies and reviews have found mixed evidence on learning outcomes in education PPPs, and no evidence that they consistently perform better than public schools. Studies have also raised strong and consistent concerns about the impact of education PPPs on educational inequalities and socioeconomic segregation. One study of 17 countries found that in the majority of countries, PPP schools are reinforcing social disparities by disproportionately serving upper income students. Research on education PPPs in Uganda and Pakistan also found that there were very few children with disabilities or previously out-of-school children accessing PPP schools.

World Bank education financing operations supporting PPPs. The World Bank plays an important role in supporting countries to expand and improve their public education systems – and the majority of its support for governments goes to public education provision. However, recent Oxfam research finds that a number of World Bank projects are supporting a PPP approach. Oxfam reviewed World Bank funding to governments for primary and secondary education over the last six years, covering 116 projects. We found that **one-fifth (22 percent) of projects included an element of direct support for private provision of education** across 14 countries. This type of support has been gradually increasing over the last decade, with a more recent geographical shift to Africa. While not all Bank-supported PPPs give cause for concern and often they are one part of a larger project that supports public education, a significant number include a market-oriented approach that seeks to expand the role of private

³ Government of India, National Institute of Educational Planning and Administration (2018), *School Education in India: U-DISE Flash Statistics 2016-17*.

⁴ Afridi, M. (2018) *Equity and Quality in an Education Public-Private Partnership: A study of the World Bank-supported PPP in Punjab, Pakistan*, Oxfam Research Report. <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620529/rr-education-ppp-punjab-pakistan-020818-en.pdf>.

schooling. In Burkina Faso, for example, a project includes support for the construction of new private secondary schools where the ownership and management is leased to private providers. Case studies from Uganda and Pakistan highlight the instrumental role of World Bank advice and lending in supporting the expansion of private education provision.

World Bank policy advice promoting PPPs in education. World Bank technical support to countries on education is delivered through the Systems Approach for Better Education Results (SABER) program. Oxfam analysis of SABER “international best practice” recommendations and detailed policy advice finds that **the World Bank is actively advising countries to expand the role of the private sector in education provision through PPPs and other reforms that reduce regulations and incentivize the growth of private education markets.** For example, countries are scored more highly on the SABER rubric if they “facilitate market entry for a more diverse set of private providers” and ensure that all types of providers, including for-profit schools, are allowed. Our analysis finds that this advice relies on a selective evidence base and flawed assumptions. In particular, **SABER advice fails to consider the differential impacts of private provision on women and girls.** It ignores the evidence that private schools are not equally accessed by girls and boys and does not consider the impact of poor pay and working conditions on female teachers and on gender inequality.

Growing IFC investments in for-profit schools. The World Bank has also increased its support for private education companies in recent years through the IFC, which currently has an active portfolio of about \$700 million in education investments. A recent study by RESULTS Educational Fund found that **IFC investments in direct provision of primary and secondary education quadrupled** in the period between 2011 and 2015 as compared to the previous five-year period (from 2006–2010).⁵ It found that these investments increasingly target low- and lower-middle-income groups, and that they are increasingly in commercial school chains. This includes the IFC’s investment in the controversial for-profit school chain Bridge International Academies, the subject of an ongoing CAO complaint.⁶ Given the concerns about gender equity in private schools, these investments appear to contradict the Bank’s stated commitments to girls’ education and gender equality, as well as its significant public sector funding for girls education.

While the challenges and problems of public delivery in many countries are real, research indicates that neither education PPPs nor low-fee, for-profit schools are a shortcut to achieving quality education for all, or gender equity. **The World Bank Group should cease promoting this approach and urgently redouble its focus on expanding and improving the public provision of education, including by ensuring it is gender-responsive and by addressing financial barriers to girls’ access to and completion of education. It should redesign or do away with its SABER policy advice on the private sector, and the IFC should stop funding commercial schools at primary and secondary level.**

⁵ Baker, T. and W. Smith (2017) *From Free to Fee: Are for-profit, fee charging private schools the solution for the world’s poor?* RESULTS Educational Fund. https://www.results.org/wp-content/uploads/From_Free_to_Fee.pdf.

⁶ A complaint was filed in 2018 with the IFC’s Compliance Advisor Ombudsman (CAO) by a Kenyan organization on IFC’s 2014 investment in Bridge International Academies, related to concerns about exploitative labor practices, discrimination, lack of transparency and failure to meet national standards for education, health and safety, as well as violations of national and international law. http://www.cao-ombudsman.org/cases/case_detail.aspx?id=1272

Addressing gender-based disparities in primary and secondary education should not be dropped from the IDA19 or the Human Capital agenda, as this is unfinished business. Instead, through the IDA replenishment process the **World Bank should commit to supporting countries to build gender transformative public education that is free and universal**, adequately and equitably funded, with well-supported teachers and strong systems for accountable public oversight. Transformative public education fights economic and gender inequality, counteracts negative gender norms, builds active citizens, protects communities and the environment, and forges inclusive and stable societies.

ii. UNPAID CARE WORK

Oxfam recommends that "Recognizing, reducing and redistributing unpaid care and domestic work" is included as an explicit top-level policy commitment in the gender special theme of IDA19.

Recommended IDA19 Policy Action: Increased attention to addressing the burden of unpaid care and domestic work for women through extension of care-supporting infrastructure to the poorest households (especially domestic water and electricity supply), increasing access to childcare and early childhood education for the poorest households, and providing technical assistance to governments to strengthen gender budgeting

- **Proposed RMS Indicator:** Number of IDA supported operations that seek to redress women's heavy and unequal share of unpaid care and domestic work.
- **Proposed RMS Indicator:** Number of IDA-supported operations that address women's participation in government policy- and budget-making processes

Rationale:

Women's heavy and unequal share of unpaid care work is now widely recognized as a key barrier to achieving gender equality and women's economic empowerment. It is included in the SDGs (SDG 5.4: "Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate") and is recognized as one of the seven key drivers of women's economic empowerment (WEE) in the final report of the UN High Level Panel on WEE. It is urgent that we address unpaid care if we are to unlock progress on all aspects of gender equality, from education to labor participation.

It is also clear that **spending on unpaid care actually gives a positive return on investment, while insufficient investment has a high economic cost.**⁷ Recent research from the International Trade Union

⁷ A recent ILO report finds that globally, full-time unpaid carers (men and women) make up the largest pool of participants lost to the labor market across the world. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_633135.pdf

Confederation (ITUC) and others shows that investing in pre-school childcare and other care services generates more tax revenues and creates more jobs than investing in the construction industry.⁸

Involving women and women’s rights organisations in government policy and budget processes is crucial for ensuring that gender equality issues are prioritised in public resource allocation. Several studies show that gender budgeting brings greater efficiency, transparency and equity to public financing: gender budgeting is therefore good budgeting, benefiting the society and economy as a whole⁹.

2. SPECIAL THEME: GOVERNANCE

i. DOMESTIC RESOURCE MOBILIZATION:

Recommended IDA19 Policy Action (adapted from IDA18): Provide support to at least a third of IDA countries targeted at increasing (i) their Tax-to-GDP ratio, and (ii) their equitable composition of revenue, through lending operations, ASA and TA including tax diagnostics assessments.

Recommended IDA19 Policy Action: Support governments to publish detailed reports on revenue composition and tax expenditures

- **Proposed RMS Indicator:** Number of countries that increase direct taxes (Personal Income Tax (PIT), Corporate Income Tax, Property/Wealth taxes) as percentage of total revenue.*

Suggested Data Source: Statistics on revenue composition is already collected by most Revenue Authorities and Ministries of Finance. *If it is not, this should be a priority for cooperation between WBG and governments.*

* Specific benchmarks should be agreed upon with governments, e.g. governments may only have capacity to focus on improving one tax area at a time, such as PIT or property tax systems

Rationale:

IDA should support DRM projects/programs that increase *quantity* (tax-to-GDP) and *quality* (equitable composition) of revenue mobilization simultaneously.¹⁰ Domestic Revenue Mobilization (DRM) projects funded by IDA should use twin-indicators to measure progress: to complement “tax-to-GDP” indicator, **IDA should add an “Equitable Composition of Revenue” indicator.**

IDA indicators should reflect the World Bank’s twin goals. Poverty reduction and shared prosperity cannot be achieved without more equitable tax systems. **Current DRM efforts are failing to address the**

⁸ J. De Henau, S. Himmelweit and D. Perrons. (2017). *Investing in the care economy: Simulating employment effects by gender in countries in emerging economies*. International Trade Union Confederation; https://www.ituccsi.org/IMG/pdf/care_economy_2_en_web.pdf

⁹ See for example: Theissen, K., Anwar, S. and Ossmann, S. (2017) *Guidelines for Gender Budgeting in Development Cooperation: A Selection of Tools and Approaches*. and <http://eige.europa.eu/gender-mainstreaming/methods-tools/gender-budgeting>

¹⁰ Oxfam International Policy Brief. “It’s Not All About the Money”. May 2019. Available at: <https://www.oxfam.org/en/research/its-not-all-about-money>

quality/equity of DRM. In 2016, only 2.8 % of DRM projects had clear goals around equity.¹¹ Looking at the World Bank's DRM programs (2001-2015), "*very few operations had equity as an explicit or implicit objective.*"¹² Without a more explicit emphasis on equity, it will continue to be neglected.

The narrow objective of increasing tax revenue can create bad incentives (i.e. collecting taxes wherever politically palatable) to the detriment of those with the least voice and power (the bottom 40 percent). In isolation, the tax-to-GDP indicator misses the increasingly more important aspects of DRM (equity, transparency, gender bias, tax morale, etc.).¹³ Based on studies from the Commitment to Equity (CEQ) Institute, fiscal policy can increase poverty, and that "this startling result is primarily the consequence of high consumption taxes on basic goods".¹⁴

This is impacting IDA countries, as well as hampering recent IDA graduates.¹⁵ In most IDA countries, the overreliance on revenues from consumption taxes and other indirect revenues is undermining poverty and inequality reduction. **Governments and donors alike are recognizing this fundamental challenge:**

- **Addis Tax Initiative (ATI)** Declaration signatories committed to improve "*fairness*" of tax systems (and may soon start tracking full composition of revenue as one of its DRM Indicators)
- **Bangladesh's** tax reform strategy includes a goal "Towards Ideal Tax Composition," which aims to have direct taxation account for more than 50 percent of tax revenue by 2021.
- **Denmark's** agreement with the World Bank's Global Tax Program flags "*Tax reforms need to be measured, not only based on the overall quantity of tax collection, but also on the quality of tax composition.*"
- **The European Court of Auditors (EAC)** analyzes revenue composition as a key aspect of DRM, but its 2016 report found that composition is not adequately monitored.
- **IMF** analysis in Senegal suggested that 50 % of revenue composition should come from Personal Income and Corporate Income tax revenues
- **World Bank** staff proposed a DRM strategy, with the first pillar focused on enhancing the quality of DRM and reducing inequality.

¹¹ Oxfam. "Doubling Down on DRM: Are We Making the Right Bets?" May 2018. Available at:

https://www.oxfamamerica.org/static/media/files/DOUBLING_DOWN_ON_DRM_-_2018_LVC7aXc.pdf

¹² Independent Evaluation Group (IEG). "Tax Revenue Mobilization - Lessons from World Bank Group Support for Tax Reform." World Bank Group. 2017. Available at: <https://ieg.worldbankgroup.org/evaluations/tax-revenue-mobilization>

¹³ Commitment to Equity (CEQ) Institute, International Budget Partnership (IBP) and Oxfam. Report from Expert Roundtable "Toward Equitable DRM: Measuring progress beyond the tax ratio". April 2018

¹⁴ CEQ Handbook 2018. <http://commitmenttoequity.org/publications-ceq-handbook>

¹⁵ IDA Countries where CEQ studies found fiscal policy increasing poverty: Ethiopia, Honduras, Nicaragua, Tanzania and Uganda; as well as two recent IDA graduates: Bolivia and Sri Lanka

ii. **PUBLIC SERVICES - Cross-cutting themes: Human Capital and Debt**

Recommended IDA19 Policy Action (adapted from IDA18): Perform joint operations, TA, and/or ASA on sector focused governance in [XX] IDA countries to identify financing needs for public sector efforts to build human capital and address institutional bottlenecks to equitable, quality *public* service delivery with the health, water, and/or education sectors.

- **Proposed RMS Indicator:** Number of operations, TA or ASA that support countries to increase investments in human capital, including in education and health, in order to improve the quality and equity of public service delivery

Rationale:

The world is living a new debt bubble across advanced, emerging and developing countries. However, due to their vulnerability, the situation is critical for low income countries (LICs), especially for Sub Saharan Africa. Growing debts are creating a fiscal crisis that penalizes social investments, and undermines the move towards pro-poor domestic resource mobilization (DRM) reforms. Our agenda to fight inequality is massively threatened by over-indebtedness. 40% of LICs are already in debt distress or at high risk of being so and while some are already facing urgent situations, African LICs and lower middle-income countries (LMICs) that are apparently safer, qualifying as “in moderate risk of debt distress” are also suffering badly – with debt repayments to revenue more than doubling on average in the last two years. As a result, social investments are shrinking –in essence a “preventive adjustment”, with negative effects. It is crucial that the World Bank and the IMF are supporting countries to restructure their debt with creditors, as well as promote longer term solutions especially transparency.

As countries face these crises, it is crucial that the World Bank also supports them to maintain and prioritize resources for essential public services. The financing needs for human development priorities such as education and health continue to be urgent. For example, while many countries are making serious efforts to prioritize education spending,¹⁶ on average low-income countries are spending less than half of what is needed per student to deliver a decent quality education.¹⁷ In health, on average LICs are spending only 8% of their budgets on health, in comparison to the 15% Abuja target for Africa.¹⁸ While good policies are important, this very serious financing crisis has been a major factor behind slow progress in improving learning and health outcomes among lower-income countries, and must be addressed to ensure outcomes improve. Improving the quality and reach of public service delivery,

¹⁶ See for example rankings and analysis of country spending efforts on education and health in: Oxfam (2018) *The Commitment to Reducing Inequality Index 2018*. <https://www.oxfam.org/en/research/commitment-reducing-inequality-index-2018>

¹⁷ UNESCO (2015) EFA Global Monitoring Report, Policy Paper 18: *Pricing the right to education: The cost of reaching new targets by 2030*. Paris: UNESCO. <http://unesdoc.unesco.org/images/0023/002321/232197E.pdf>

¹⁸ Oxfam Commitment to Reducing Inequality Index (2018) op.cit.

where many of the poorest people access services, is the most equitable way to improve human development outcomes.

iii. CITIZEN ENGAGEMENT - Cross cutting theme: Inclusion

Recommended IDA19 Policy Action (adapted from IDA18): All IDA operations will integrate meaningful citizen engagement, ensuring women and marginalized communities' voices are reflected at all stages of the project cycle.

Recommended IDA19 Policy Action: All Systematic Country Diagnostics for IDA countries will include a civic space assessment, including an assessment of the risk for reprisals.

- **Proposed RMS Indicator:** Develop and implement guidance/policy stating zero tolerance on reprisals against civil society and citizens in IDA projects

Rationale:

We recommend maintaining and strengthening the IDA 18 citizen engagement policy commitment in IDA19.

- Given the Bank's new Stakeholder Engagement Standard as well as its existing Framework for Mainstreaming Citizen Engagement, it is important that the Bank maintains the momentum on this agenda and implements it across operations and not just in service delivery projects. There is scope to be including citizen engagement in several areas beyond traditional investment finance operations and as the Bank scales up in fragile contexts this becomes even more important. Some examples consistent with IDA19 themes include:
- In Domestic Resource Mobilization operations and technical assistance, the Bank should be seriously considering how to support governments to engage citizens, including in medium-term revenue strategies.
- In the crisis response window (CRW): These mechanisms do not currently enable CSO engagement in planning and implementation – in the case of CRW, because it has to be arranged relatively quickly, or in other cases this is simply not how the Bank is operating. CSOs have considerable expertise in disaster risk response, recovery and gender, and there is a small but increasing number of CSOs with expertise on disaster risk finance (DRF). The World Bank has an explicit policy promoting CSO engagement as it recognizes engagement improves outcomes. Yet CSO engagement in World Bank and national planning around DRF is missing. CSOs bring detailed knowledge of disaster-affected communities and they make policy decisions around scarce resources more representative and democratic by bringing community perspectives to strategic policy discussions. Their engagement can strengthen analysis, design, and delivery of programs, insuring disaster risk management and financing efforts reach the last mile and are innovative, inclusive and pro-poor.

IDA 19 should include a commitment to require an assessment of the enabling environment for civil society, or a civic space assessment, in the systematic country diagnostics (SCDs), including an assessment of the risk for reprisals.

- Given the importance of citizen participation in effective development, yet the increasing closure of civic space across so many IDA countries, we recommend IDA 19 to include civic space assessments as part of all IDA SCDs, assessing the enabling environment for civil society including laws, governance, practices, and risks of reprisals among others. The purpose of the assessment would be to assess and identify a. the constraints to development broadly, b. the constraints to the Bank being able to implement its programs and standards effectively, and c. opportunities to be addressed within the countries' Country Partnership Framework (CPF) processes.
- Building on the leadership of IFC's commitment to zero-tolerance on reprisals, IDA 19 should commit to zero-tolerance on reprisals and mandate that all projects should assess the potential risks of reprisals and develop measures to address such risks as part of the Stakeholder Engagement Plan within the Environmental and Social Framework.

3. SPECIAL THEME: CLIMATE

Given the important role of the World Bank as a leader within the development community of raising the urgency of addressing climate change challenge and the dire implications on the world's poor, IDA must be used to instrumentalize the Bank's previous climate commitments while increasing its ambitions to help facilitate countries' transition to low-carbon, climate resilient economies.

i. DEEPENING THE MAINSTREAMING OF CLIMATE CHANGE AND DISASTER RISK MANAGEMENT

Recommended IDA19 Policy Action (adapted from IDA18): Support at least 20 countries to update and translate their NDCs into specific policies and investment plans integrated into national budget and planning processes and into mid-century low carbon and climate resilient strategies developed with Bank support.

Recommended IDA19 Policy Action (adapted from IDA18): Publicly report on full life-cycle GHG accounting of all operations, including environmental and social externalities within shadow carbon price.

Recommended RMS Indicator (adapted from IDA18): Countries supported towards institutionalizing disaster risk reduction and preparedness as a national priority with IDA support.

Rationale:

Strategies and Planning

- Building off IDA 18, IDA 19 should continue to prioritize the incorporation of climate and disaster risk analysis, considerations, and opportunities in all its SCDs, including economic, institutional, and policy constraints to implementing countries' Nationally Determined Contributions (NDCs) and identify opportunities to further strengthen NDCs. Based on the SCD, the Bank should create adequate incentives to incorporate NDC-based objectives and results indicators in the results

framework of all CPFs setting the pathway for a comprehensive outcome-oriented pipeline of projects, programs, and policy operations that can be monitored and reported against specific CPF priorities.

- The Bank should increase the use of technical assistance and development policy investments to overcome policy, institutional, and regulatory barriers, improve the enabling environment, and raise the ambition of and operationalize NDCs in all countries through actionable investment plans, low-carbon driven policy, and regulatory and institutional frameworks. IDA 19 should prioritize its support to achieve the 2025 climate action target of supporting “at least 20 countries to systematically implement and update their NDCs and support an increasing number of countries to develop integrated mid-century low carbon and climate resilient strategies.”
- We continue to support the commitment to screen all operations for climate risk and mainstream climate risk into program design. However, the budget implications should be integrated into program design as standard practice. Climate risk screening should not be considered an extra or an option for which additional costs should be covered by external climate funds (from bilateral donors or international funds such as GEF, CIF-PPCR or GCF) but assumed as part of the WBG good-practice and responsible investment.

Greenhouse Gas Accounting

- Building on the Bank’s commitment to apply Greenhouse Gas (GHG) Accounting and shadow carbon price for all operations in significant sectors, the Bank must publicly disclose the carbon footprint of all its operations, in particular showing the make-up of its energy portfolio in terms of fossil fuels and renewable energy, and do so using full life-cycle assessments in GHG accounting as well as all environmental and social externalities through shadow carbon price. This should include short lived climate pollutants as well, in particular methane emissions from natural gas investments (fugitive emissions) and large scale hydro power reservoir emissions.
- The Bank should continue to invest in internal capacity for staff to apply full life-cycle greenhouse gas accounting and publish its carbon pricing calculations for all operations (building on the IDA18 MTR on the need for increased capacity), in a manner that is consistent with countries’ NDC reporting requirements and look to publicly disclose this reporting.

Disaster Risk Financing

- Many countries do not invest in preparedness (instead many rely on humanitarian aid arriving), and contingency and response planning is often poor. A shift to a more ‘ex-ante’ approach, involving better preparedness planning, will increase the effectiveness and efficiency of all crisis finance flows.
- Currently the Bank provides post-disaster finance (e.g. through the Crisis Response Window and reallocations), but this emergency finance arrives **late** – on average 8 months after the beginning of the crisis – and provides **no incentive for govts to reduce disaster risk or prepare** for disasters.

- Other World Bank funding mechanisms – such as CCRIF, PCRAFI, Cat DDOs - are vehicles to provide fast funding but have little or no link to delivery and **impact** – there is no line of sight between instrument and impact. It is therefore impossible to say if they support disaster-affected populations or to maximise their impact.
- There is also a lack of **engagement with civil society** that can play an important role in risk management (*see Governance section above*) and there are deficiencies in transparency and accountability in these mechanisms which must be addressed. There must be opportunity for citizens to hold their governments to account, or indeed to support government choices.

As such, IDA should shift to disaster risk funding which:

- incentivises preparedness, provides technical support for contingency and other planning to ensure that disaster funding is spent most effectively,
- has a clear focus on disaster-affected people, reaches those who need it, and has a clear impact.
- Has strong participation of communities and CSOs
- Has strong transparency and accountability.

ii. **SUSTAINABLE ENERGY FOR ALL**

Recommended IDA19 Policy Action (adapted from IDA18): Support the addition of 18 GW in renewable energy generation, prioritizing low-emitting, low-risk technologies like wind and solar, that increase access for those in poverty.

- **Proposed RMS indicator:** Number of newly connected households (in addition to generation capacity of renewable energy)
- **Proposed RMS indicator:** Percentage of energy access investments, including off-grid and mini-grid renewable energy, as a proportion of total energy portfolio

Rationale:

- The Bank should ensure that energy access projects incorporate the necessary [complementary services](#) demonstrated to positively impact incomes for those newly connected, where appropriate, including but not limited to providing access to credit, awareness raising and education, and improving access to markets for new business ventures.
- The Bank should track and publicly report on 1) its energy access investments, including off-grid and mini-grid renewable energy, as a share of the total energy portfolio spending annually, with a breakdown by country; 2) its contribution to new household connections with the results published on the Bank's website and aligned with the corporate scorecard and SE4ALL; and 3) gender disaggregated data on energy access connections with specific gender targeting being built into all lending interventions.

- As best practice the Bank should continue to promote Integrated Energy Planning (IEPS, or Integrated Resource Planning - IRPs) as part of its SCD / CPF processes and do so in a manner that is fully open, transparent, and inclusive of all stakeholders, including multiple relevant borrower country ministries to ensure complementary services (i.e. Agriculture, Health, Education, etc.). It should fully utilize the services of ESMAP to enable this mainstreaming of energy planning best practices within country strategies.
- The environmental and social risks that often come with many large-scale infrastructure projects (e.g., large hydropower, natural gas) can outweigh the benefits, especially with respect to communities' land rights and their access to productive resources. Crucially in IDA countries, the Bank must ensure the strongest of standards and proper implementation of safeguards and mitigation measures. Not one individual should be left further impoverished as a result of an IDA-financed project and while this should be a given, we recommend that this commitment be embedded in the IDA 19 paper.
- In addition to these renewable investments, the Bank should also commit to closing the loopholes on damaging and unsustainable fossil fuel financing in IDA countries that is inconsistent with the Paris Agreement, as well as broader development goals.

iii. MONITORING AND REPORTING OF IDA RESOURCES USED FOR CLIMATE CHANGE

Proposed RMS indicator: Updated annual reporting of climate finance to include grant equivalent terms

The Bank should report its climate finance in grant-equivalent terms, e.g. in the annual Joint Report on MDBs' Climate Finance. The new finance reporting rules under the UNFCCC's Paris Agreement introduce the option of reporting the grant-equivalent value of climate finance, and we would strongly urge the World Bank to present these figures, thereby setting the bar for reporting standards internationally. Grant-equivalent accounting is already the standard for reporting headline Overseas Development Aid (ODA) figures under the OECD Development Assistance Committee (DAC), and climate finance reporting standards should keep apace.

SPECIAL THEME 4: FRAGILITY AND VIOLENCE

In the IDA19 Fragility special theme the Bank should **prioritize actions and indicators** that address conflict sensitivity, gender equality and inclusion, and civic space and partnership with civil society.

Given the growing concentration of poverty in conflict-affected and fragile contexts, the World Bank's increased attention and investment in such contexts is welcome. But it could also be potentially problematic, if the World Bank's operating model doesn't adapt to recognize the contentious, highly dynamic, and often polarized nature of operating in such contexts. Pursuing a 'business as usual' approach will not only fail to lead to any results, it will also likely reinforce structural causes of conflict and thereby serve to worsen existing tensions. This applies not just to countries that experience violence, but also those emerging from conflict as well as those dealing with a legacy of conflict.

Based on our forthcoming research looking at World Bank engagement in Lebanon, Myanmar, Niger and Tunisia, key issues we have identified to be addressed in IDA19 include:

- The World Bank's support can be instrumentalized in situations of contested governance or protracted instability/ disfunction. When the state is unable or unwilling to act to protect its citizens, the focus on governments as the client and on supporting government and state institutions, could result in resources being concentrated or trapped on one side of a conflict, or being used in a party-political way, at odds with humanitarian principles of neutrality and on the basis of need. In such contexts, there is a risk that humanitarian action will be side-lined, or principles violated.
- Operational incentives to deliver financing and implement projects according to strict timelines undermine efforts to achieve outcomes and fail to adapt or to properly consider dynamic nature of conflict;
- Tokenistic engagement of local civil society actors results in the World Bank falling short of their own intended objectives to contribute to the social contract or social cohesion (phrases used by the Bank in their country strategies for Lebanon and Myanmar, respectively), while reinforcing potentially harmful governance practices of the State.
- Lack of transparency on its operations with humanitarian partners hinders effective coordination and dovetailing of work. It also hinders accountability.

As such, we ask that in IDA19, the Bank prioritize actions and indicators that address the following:

- 1. Conflict sensitivity:** The World Bank needs to prioritise conflict sensitivity approaches throughout their strategic decisions and operating models. Pursuing a 'business as usual' approach will not only fail to lead to any results, it will also likely reinforce structural causes of conflict and thereby serve to worsen existing tensions.
- 2. Inclusion and gender equality:** Inclusion and equality (with a particular focus on gender equality) must be a core pillar across the 'what' and the 'how' of the World Bank's FCV strategy. Inclusion and gender equality will be the key to the success of the World Bank's new approach to FCV; addressing inequality and exclusion is the most important pathway out of fragility. We would recommend that inclusion and equality become a core pillar of all investment strategies, thematic priorities and delivery processes.
- 3. Civic space and partnership with civil society:** The World Bank has a critical role to play in supporting diverse and active civil society and using its influence on National Governments to ensure the expansion and prevent the restriction of civic space. The World Bank must do more to meaningfully engage with local civil society actors and women's rights organisations in shaping priorities and programmes, especially in fragile contexts, where state legitimacy, transparency, and representativeness is often under question.

SPECIAL THEME 5: JOBS AND ECONOMIC TRANSFORMATION

i. EDUCATION – Cross-cutting themes: Human Capital and Inclusion

- Investing in high-quality, holistic public education is crucial to prepare people for the job market and the future of work. That education must be available to all children and youth, regardless of gender, income level, ability, or other category. We cannot achieve high-quality, equitable, universal education without serious public sector investment. (See Section 1 on Gender and Section 2 on Governance for education-specific recommendations that support this theme)

ii. PRIVATE SECTOR WINDOW

Proposed RMS indicator: Transparent system created to assess PSW projects based on their poverty and inequality impact, and additionality

- While recognizing the importance of increasing support for private sector investment in IDA countries, and noting IFC's recent capital increase in particular, it is crucial that the Bank is demonstrating clear additionality for investments made through the private sector window and that precious concessional funds are not going to back projects that would have been financed without such funds.
- If the Bank will be using IDA funds to back private sector investments, there is an even bigger need to ensure that pro-poor and inequality reducing development impacts are prioritized above financial returns as investment choices are made. The Bank must acknowledge and actively mitigate the risk that market incentives could result in investments being made that have limited development impact and fail to benefit the poorest. The Bank should have clear selection and monitoring criteria for selecting investments that will be backed by IDA funds. Such criteria should include, for example, that the investment will benefit the poorest within countries, and promote gender equality.
- As the Bank increases private sector operations in fragile and conflict affected contexts, it should use its influence to ensure its private sector clients adhere to the UN Guiding Principles on Business and Human Rights (UNGPR), and in particular the principles related to conflict contexts. According to the UNGPR, the risks of business-related human rights abuses are particularly great in areas of poor governance, and especially in conflict-affected areas.¹⁹ In addition, the principles state that in complex contexts such as conflict-affected areas, business enterprises should ensure that they do not exacerbate the situation. Therefore, companies supported by the Bank should be required to implement effective and ongoing enhanced due diligence,

¹⁹ United Nations, 2011, Guiding Principles on Business and Human Rights: Implementing the United Nations, "Protect, Respect and Remedy" Framework, p. 9; http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

ensuring business practice does no harm and where possible identifies and supports existing capacities for peace.

iii. QUALITY JOBS

- Building on the IDA18 Mid-term review which noted the importance of “better jobs” not just “more jobs”, as the Bank seeks to make policy commitments in IDA19 around the creation of jobs, we urge donors to include criteria regarding the quality and inclusiveness of jobs as well. Some elements to consider include security of jobs, and ensuring workers are paid a living wage among other factors.

ANNEX 1:

RESPONSIBLE IDA GRADUATION: Ensuring a smooth and sustainable transition

For recipient countries, IDA financing represents an opportunity to increase public spending on sectors that can tackle poverty and inequality without increasing the fiscal deficit. When countries are judged to be ready to move on from IDA, there is a responsibility to ensure that they can continue on a positive development trajectory. This makes the process around when, and crucially *how*, countries graduate of great importance.

Evidence calls for greater caution in future, to ensure graduating countries don't slide backwards

Since 1960 nine countries have graduated and then re-entered IDA; a situation that may be necessary in some cases, but which is not an ideal trajectory for a country.

One recent academic study²⁰ found that countries likely to graduate from IDA by 2020 face greater social and macroeconomic challenges than those that graduated since 2010.

For example, the group of (recent or) forthcoming graduates²¹ have an average gini index three points higher than the previous group, a far lower CPIA rating (2 versus 3.9), and an average annual maternal mortality rate four times that of the previous group in the 5 years leading up to graduation. Recently graduated countries face significant challenges and financial stability is a major concern.

Oxfam's recent research into Vietnam's graduation from IDA (publication forthcoming), found that the country continues to face significant challenges; for example, almost one quarter of children under five suffered from stunting in 2016. Our analysis shows that Vietnam has faced a sharp drop in bilateral aid, as well as multilateral concessional and non-concessional finance since 2014, just three years before IDA graduation. Therefore, Vietnam has turned to less concessional financial resources, including from international and domestic private finance sources.

As a result, the country's public debt increased by 68.5 percent between 2012 and 2016; from \$74.5 to \$125.6 bn, with interest on the debt increasing by 145.3 percent in the same period. Our research projects a rapid rise in the debt service to revenue ratio, as well as an increase in the public debt to GDP ratio. The latter is likely even if concessional finance remained at 2015 levels. ODA and IDA money remain life-saving and transformative in MICs / countries facing graduation.

In April of this year, ECOSOC acknowledged that 'ODA and other concessional finance are still important for a number of middle-income countries.'

Vietnam's government has declared that 'ODA and concessional loans from foreign donors remain vital' to accomplish their social and economic development plan (2016-2020; Decision 251). Yet in this period the government **expects to face a shortfall of \$10.5-14.5 bn** for development projects. It should be

²⁰ Yamay, G., et al. (2018), Transitioning from foreign aid: is the next cohort of graduating countries ready?, The Centre for Policy Impact in Global Health, http://centerforpolicyimpact.org/wp-content/uploads/sites/18/2018/03/Transition-from-foreign-aid_DukeCPIGH-Working-Paper-final.pdf

²¹ Albania, Armenia, Azerbaijan, B&H, Bolivia, Georgia, Indonesia, Sri Lanka, Vietnam

noted that this is a low estimate; the GoV estimates do not include ODA provided to local civil society organizations, whose activities are threatened by ODA reductions.

The government of Vietnam has identified education and social protection to be among the most significant barriers to future economic growth. IDA was the biggest donor to education.

In 2015, 22 percent of Vietnam's population lacked access to basic sanitation services. IDA was also the biggest donor for water & sanitation, giving more than half of all aid to this key sector. The challenge of filling these gaps with non-concessional finance is significant; it is likely to skew spending away from social projects towards sectors more likely to yield a financial return.

Longer-term investment in DRM is vital to consolidate progress in countries graduating from IDA

- IDA, and other ODA, can play a transformative role by strengthening domestic resource mobilization, alongside progressive fiscal policy.
- This is crucial to boost progress in lower-income countries, as well as sustain it in MICs.
- Under the Addis Tax Initiative (ATI), 20 of the largest donors committed to double annual aid to DRM by 2020, recognizing such ODA plays a transformative role in tackling poverty and inequality.
- Again, taking Vietnam as an example of a recent IDA beneficiary, ATI support is minor; there is no reference to Vietnam in the ATI Monitoring Brief 2016 (published May 2018), and only six of the 636 projects in the ATI database referred to Vietnam.
- As the World Bank is now one of the largest donors to DRM, they have a role to play in ensuring countries graduating from IDA receive sufficient support to strengthen DRM so that they are not over-reliant on debt financing as they transition away from concessional finance.

There is also a serious inequality challenge for countries graduating IDA

- A growing body of research from World Bank, IMF and other leading development and economic institutions has found that economic inequality hampers future growth and prevents poverty reduction.
- We welcome the World Bank's efforts to assess countries graduating from IDA on some measures of shared growth; for instance, considering the income growth of the bottom 40 percent of Bolivia, Sri Lanka and Vietnam as part of the final judgement on IDA graduation.

However, this data does not help assess economic inequality in the way that other indicators can, and this leaves an opportunity to do more.

As such, Oxfam recommends the following changes to the IDA graduation criteria and process:

On criteria, we recommend:

- *A revision of the IDA graduation criteria to include measures of economic inequality, including IHDI, as well as income and wealth gini and palma ratios, as additional main criteria to assess readiness to graduate IDA alongside GNI per capita and creditworthiness.*
- *A robust debt sustainability analysis and critically, ensuring countries have adequate current and projected resources to finance and deliver essential public services.*

On process, we recommend:

- *The amount of time countries remain in blend status should respond to the country's rates of poverty and inequality (monitored using IHDI and other inequality measures), debt sustainability, as well as projected ability to sustainably finance pro-poor spending and inequality reducing programming. These should all be monitored regularly and robustly.*
- *Transitional support - in the form of concessional IDA funds - should be available to countries after they leave blend status and graduate to prevent reversals of growth or poverty and inequality reductions.*
- *the World Bank should work with countries graduating IDA to ensure they have adequate financing for public services and social protection to protect the rights of the poorest people through transition.*
- *it would be wise to invest significant concessional finance to DRM, ensuring that it is progressive, over a longer period in countries before they graduate from IDA, along with policy advice to make fiscal systems more progressive.*