



WORLD BANK GROUP

NAVIGATING MULTIPLE CRISES, STAYING THE COURSE ON LONG-TERM DEVELOPMENT

THE WORLD BANK GROUP'S RESPONSE TO THE CRISES AFFECTING DEVELOPING COUNTRIES

**GLOBAL CRISES RESPONSE FRAMEWORK PAPER
JULY 2022**

List of Acronyms

ALMP	Active Labor Market Program
ATRI	Africa Trade and Supply Chain Recovery Initiative
CAT DDO	Catastrophe Deferred Drawdown Option
CCDR	Country Climate and Development Report
CERC	Contingent Emergency Response Components
CPF	Country Partnership Framework
CRW	Crisis Response Window
DPF	Development Policy Financing
ERF	Early Response Financing
EU	European Union
FCS	Fragile and Conflict-affected Situations
FCV	Fragility, Conflict, and Violence
FIF	Financial Intermediary Funds
FPC	Food Price Crisis
FY	Fiscal Year
G20	Group of Twenty
G7	Group of Seven
GAFS	Global Alliance for Food Security
GAFSP	Global Agriculture and Food Security Program
GFRP	Global Food Price Crisis Program
GPG	Global Public Goods
GRID	Green, Resilient, and Inclusive Development
HIC	High Income Country
IDA	International Development Association
IDP	Internally Displaced People
IEG	Internal Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IPF	Investment Policy Financing
LIC	Low Income Country
MENA	World Bank Middle East and North Africa Region
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
MPA	Multi-Phase Programmatic Approaches
NDC	Nationally Determined Contribution
PCM	Private Capital Mobilization
PPR	Pandemic Prevention, Preparedness and Response
PforR	Program for Results
PRI	Political Risk Insurance
SAR	World Bank South Asia Region
UNHCR	United Nations High Commissioner for Refugees
WBG	World Bank Group
WTO	World Trade Organization

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Executive Summary

i. **The world is facing a perfect storm: multiple ongoing crises since 2020 have the potential to undo decades of development gains and require an urgent response from the World Bank Group (WBG).** The human impact of the COVID-19 pandemic has been staggering. Global poverty has increased significantly, and human capital accumulation has been seriously disrupted. The climate crisis continues to intensify. Natural disasters have become more frequent and are wreaking significant damage in vulnerable countries. The impact of the war in Ukraine, with its reverberations, adds another major shock to countries still recovering from the pandemic and facing urgent climate and development challenges. Compounding crises have led to supply chain disruptions, further threatening food and nutrition security and access to energy, competitiveness, and growth. In response to surging global inflation, countries across the globe are tightening monetary policy; rising interest rates and an increase in uncertainty dampens prospects for recovery. In April 2022, the WBG presented a “Roadmap” outlining how it would support clients as they respond to the impacts of these crises. This follow-up paper further details the WBG’s response to these crises. The response is based on the WBG’s comparative advantages and anchored in principles to guide selectivity.

ii. **With differentiated country impacts, and a high degree of uncertainty, the current crisis will require customized responses.** Commodity importers will likely experience a ‘stagflationary’ shock due to commodity price increases, rising interest rates, and supply chain disruptions. Exporters should fare better, although inflation also poses a challenge for them. Countries with low levels of vaccinations against COVID-19 face additional vulnerabilities. The acceleration of food price inflation will affect food security in low-income households across the world. Against a backdrop of social unrest and increasing conflict, countries in Fragile, Conflict and Violence (FCV) situations are disproportionately vulnerable given their limited resources and lower government capacity. The multiplicity of crises, a high degree of uncertainty, related in part to the length and intensity of the war in Ukraine, stretched fiscal space, and high debt levels are resulting in a unique and complex crisis. Yet, as in the past, this crisis offers an opportunity for focused action to address longer-term challenges, including those related to climate change.

iii. **The proposed framework for the WBG’s operational response rests on four interconnected pillars combining support to crisis response and long-term development.** The WBG’s objective is to provide mutually re-enforcing support by addressing short-term shocks to improve prospects for long-term sustainable development, while developing long-term resilience to help prepare for future shocks. The four pillars of the crises response include: (i) *Responding to Food Insecurity* through immediate crisis response to provide urgent support and avoid long-term derailment of development prospects; (ii) *Protecting People and Preserving Jobs* to help mitigate the medium- to long-term impact of crises; (iii) *Strengthening Resilience* to be better prepared for any future crisis and challenges; and (iv) *Strengthening Policies, Institutions and Investments for Rebuilding Better* to utilize the opportunities the crises provide to improve long-

term development outcomes. This framework builds on the Pillars from the COVID-19 crisis response, and incorporates lessons learned from responding to the pandemic as well as to past food crises. It acknowledges that while the WBG's operations will be underpinned by its Green, Resilient and Inclusive Development (GRID) approach, and, indeed, much of this work is already underway, this unprecedented crisis creates a strong rationale to focus on addressing crisis impacts to help countries avoid sliding back as well as stay the course on their development objectives. The pillars defining the WBG's crisis response are interconnected and provide a broad schematic to guide operational choices. WBG operations could reasonably fall into one or more pillars, while focusing on an overarching development challenge.

iv. **WBG support under Pillar 1 will respond to the urgent need to respond to food insecurity and protect the vulnerable in the midst of the ongoing food crisis.** Operations will align with the WBG's May 2022 comprehensive response to food security and will include supply and demand side interventions—for example, support to agricultural production and producers, and targeted cash transfers through social protection frameworks—to increase food supply and protect the most vulnerable from high food prices. Much of this work started in FY22, with important operations delivered or under preparation, including some under regional Multi Phase Programmatic Approaches (MPAs). IFC's Global Food Security Platform will help support private sector activities to close the financing gap for agribusinesses across the food supply chain, while MIGA will provide trade finance for agriculture. Rapid policy and advocacy work to support open trade regimes and expedite the flow of essential goods will also be undertaken.

v. **Under Pillar 2, the WBG will support additional operations to protect people from the multiple ongoing crises, including a focus on preserving jobs.** Interventions under this Pillar will help countries continue work to control the spread and impacts of the pandemic, ramping up the provision of essential health services and addressing learning losses from disruptions in schooling. The WBG will also continue the work started in Q4 FY22 to support migrants and Internally Displaced Persons (IDPs) in Ukraine and other conflict and FCV situations. The pillar will include a focus on jobs, given the risk that significant monetary tightening could hurt nascent recoveries and result in job losses, and the food and fertilizer crisis could affect livelihoods in the agriculture sector, where the bulk of the world's poor work. Support for the private sector will be essential to both preserve jobs and create new ones. IFC is growing long-term investments in companies and will continue to provide short-term financing for trade and for working capital in countries where the macroeconomic situation is adverse. IFC's Upstream approach in working to unlock sector growth will be essential for scaling up investments in critical sectors such as agribusiness, health, retail, and construction. WBG will also support jobs through skills training, active labor market programs (ALMPs), greater financial inclusion and initiatives to facilitate gender equality and encourage entrepreneurship and women's economic activity. Regulatory reforms to improve the business environment will be part of the WBG's agenda under Pillar 4. MIGA will focus on efforts to support trade finance and access to finance as an important element of medium-term business growth.

vi. **Support under Pillar 3 will focus on building long-term resilience and enhancing crisis preparedness, complementing operations across the four pillars that will also contribute to resilience-building.** The WBG will focus on upgrading systems to make them less vulnerable to future crises. Operations will address crisis preparedness and disaster risk management, a top priority for strengthening resilience. The Bank is committed to rollout a new Crisis Preparedness Gap Analysis to inform IDA’s financial and technical support in this area. Efforts will continue with pandemic preparedness, learning from the experience of the recent pandemic. WBG will support countries to upgrade social protection systems to provide adaptive support programs that are able to respond rapidly to future shocks. Operations will help support nutrition-sensitive and sustainable food systems. Climate resilience will be supported through operations in this pillar and in Pillar 4. WBG support will enhance client countries’ capacity to better manage macro-fiscal and debt vulnerabilities, upgrading fiscal frameworks and continuing efforts on debt transparency and management. The Bank will also help countries secure pre-arranged contingency finance through Catastrophe-focused DPF operations with Deferred-Drawdown Options (CAT-DDOs) to respond to shocks. DPF operations will include policy actions to build resilience across a range of sectors from finance to agriculture. Support for global initiatives, such as “One Health”, will continue to strengthen pandemic preparedness. Through its Global Health Program, IFC will continue efforts to support the supply of healthcare products. MIGA will continue its COVID-19 response, providing credit enhancements to enable public-sector borrowers to raise long-term commercial borrowings for investing in their healthcare systems.

vii. **WBG interventions under Pillar 4 will focus on longer term policies to advance the GRID agenda and help countries rebuild better.** Much work is already underway. WBG support will focus on promoting climate-smart investments, facilitating resilient reconstruction, building strong institutions, supporting well-functioning health and education sectors, and using digital tools where feasible to enhance development solutions. Country Climate and Development Report (CCDRs) will identify new opportunities for public and private sector support, and the Bank will provide advice and financing to support climate change adaptation and mitigation across a range of sectors. IFC’s efforts to strengthen the development of local infrastructure services, coupled with MIGA’s work to support long-term funding for sustainable and climate-smart infrastructure will be critical.

viii. **Global, regional, and country analytical and advisory products are critical complements to the WBG financing portfolio to respond to crises and maximize development impact.** An important element of the crisis response will be to advocate for and support evidence-based policies and well-tailored financing operations. WBG support will be built on its country engagement model while ensuring consideration of key corporate priorities—such as mobilizing private capital, climate change, gender and FCV.

ix. **Implementation of the proposed crisis response will be closely monitored, and results will be tracked using the WBG’s robust results architecture.** Operational commitments will be

tracked by pillars and regularly reported. Drawing on data tracked through the WBG’s Corporate Scorecards and IDA’s Results Measurement System (RMS), indicators will demonstrate how WBG inputs and activities help clients deliver tangible results with a focus on outcomes at the corporate, country, and operational levels. The results framework will also place risks to development outcomes at the center of its results approach, acknowledging that operating in a crisis environment creates elevated risks for the WBG’s program, and mitigate risks to the extent feasible.

x. **The WBG will make available around \$170 billion over the period April 2022-June 2023.** The WBG delivered almost \$53 billion in the three months from April 1, 2022 to June 30, 2022. In FY23 (from July 1, 2022 to June 30, 2023), IDA20 financing will be frontloaded in line with current IDA policies, allowing IDA to provide \$36.2 billion for crisis response in FY23. The IBRD FY23 lending ceiling will be \$36.5 billion¹, bolstered by an additional crisis buffer for FY23 of \$5 billion. Around \$6 billion from World Bank trust funds is also expected. IFC is anticipating a FY23 surge of \$35 billion, while MIGA is expecting to provide \$6 billion in risk insurance. The WBG will also expedite financing by tapping flexibilities provided under current operational policies. The WBG will lean forward proactively to support countries in addressing the short-term impact of these multiple crises, enhance resilience and lay the groundwork for rebuilding better. This 15-month response will be critical to avoid lasting scarring effects and the sacrifice of longer-term development challenges—even though it will stretch WBG finances and limit availability of World Bank financing in later years. At the end of FY23, the WBG will take stock of progress on the crises response effort, to inform and recalibrate its framework beyond these 15 months.

xi. **Coordination of efforts and policies across countries and institutions is essential to an effective response.** The global community needs an effective international coalition of support to respond to these multiple, overlapping, compounding crises. The WBG is working closely with IFIs, UN agencies, the G7, the G20, regional bodies, and individual countries as it implements its crisis response and using its convening power in areas ranging from food and nutrition security and climate change to pandemic prevention, preparedness and response.

¹ IBRD crisis buffer support will depend on Executive Directors’ approval of the IBRD’s Financial Sustainability Framework (World Bank 2022i).

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I. INTRODUCTION

1. **The world is facing a perfect storm that has the potential to undo decades of development gains.** Two years into a major worldwide pandemic, the global impact of the war in Ukraine is hitting countries that were already stressed. Fiscal space has been eroded in many developing countries by rising borrowing costs, and a decade of rising debt capped by a further surge, severely exacerbated by the pandemic. Rising inflation and weakening economic recovery are contributing to growing macroeconomic imbalances—exacerbating already high risks of debt distress and leaving many households vulnerable. Since the pandemic started in 2020, tens of millions of people have been pushed into poverty; hunger is on the rise; and children have been deprived of learning opportunities. The invasion of Ukraine has led to supply disruptions and further upward pressure on commodity prices—notably food, fuel, and fertilizer—as well as massive physical destruction and displacement of people. With the continued stresses of climate change, droughts, regional conflicts and displacement of people, which already negatively impacted food and nutrition security, many countries find themselves in urgent need of financial and technical support.

2. **In April 2022, the World Bank Group (WBG) outlined a “Roadmap” to indicate how it would support clients as they respond to the impacts of these ongoing, multiple, overlapping, and compounding crises²** (WBG 2022). The “Roadmap” delineated the WBG’s initial short-term response and outlined a medium-term approach over 15 months to June 2023. This comprised financial support of around \$170 billion and advisory and analytical assistance to help countries respond to the crises. While addressing urgent needs, the WBG will maintain its focus on longer-term development priorities that are integral to achieve the WBG Twin Goals of eliminating extreme poverty and promoting shared prosperity in a sustainable manner.

3. **This follow-up paper details the WBG’s crisis response and proposes a framework tailored to the current situation.** The framework builds on the “Roadmap” Paper, the 2020 WBG COVID Crisis Approach Paper (WBG 2020), and the Green, Resilient, and Inclusive Development (GRID) Approach (WBG 2021). This new framework covers the WBG’s operational response from April 2022 to June 2023. It is built on four pillars: (i) *Responding to Food Insecurity*; (ii) *Protecting People and Preserving Jobs*; (iii) *Strengthening Resilience*; and (iv) *Strengthening Policies, Institutions and Investments for Rebuilding Better*. While the WBG is again called to reposition operations to mount an exceptional crisis response, its interventions will remain aligned with the Twin Goals

² This document refers to “multiple crises” in the context of the COVID-19 pandemic, the war in Ukraine, food and nutrition security, high energy prices, tightening financial conditions, risk of debt distress, and climate disruptions.

and the strategic directions set out in the Forward Look. The crisis response incorporates policy commitments made under the 2018 Capital Packages of IBRD and IFC, and the IDA20 policy package. It is being designed to be sensitive to situations of Fragility, Conflict, and Violence (FCV). It also continues to focus on gender equality and sustainable growth.

4. **The crisis response is aligned with the WBG comparative advantages and core principles to guide selectivity.** The WBG's comparative advantage comes from the combination of country depth and global breadth in its expertise, use of public and private sector instruments and relationships, and the ability to mobilize and leverage financing. This provides the WBG with the ability to respond on a global scale to multiple crises that each country faces. Since the WBG's resources are limited and it is committed to serve all clients, selectivity is paramount for impact. A number of core principles will guide this crisis response, including reducing poverty and promoting shared prosperity, sustainability, inclusion, transparency, and good governance.

5. **This paper is organized as follows.** Section II describes the multiple crises facing countries today. Section III proposes a framework for the WBG response to the global crisis. Section IV and V describe key considerations for the operational approach to the crisis response and detail the financing envelope. Section VI underscores the need for global coordination to maximize the impact of this crisis response. Section VII concludes with key issues.

II. MULTIPLE, COMPOUNDING AND OVERLAPPING CRISES

6. **The war in Ukraine adds another shock to countries that have not fully recovered from the COVID-19 pandemic and face the long-term challenges of the climate crisis.** Two years into the pandemic, developing countries were already deeply stressed. As Russia's invasion of Ukraine began, developing countries were still contending with the health effects, learning disruptions, job and income losses, trade disruptions caused by the COVID-19 pandemic, worsening macroeconomic imbalances, and high debt. Vaccination against COVID-19 in many developing countries remain well below levels in advanced economies. In many countries, macro-financial risks have risen further, including as advanced economies withdraw accommodative monetary and fiscal policies. Inequality across and within countries continue to grow. Moreover, poverty reduction and broad-based development were already set back by many years and climate-related challenges continue to accelerate. The compounding crises have the potential to alter the long-term development trajectory in many countries.

Slow, uneven recovery from COVID-19 pandemic

7. **The compounding crises have significantly set back the prospects of a global recovery.** Per capita GDP growth in middle-income countries (MICs) is projected to decelerate sharply from an estimated 5.7 percent in 2021 to 2.3 percent in 2022, while in low-income countries (LICs), it is expected to remain weak, at 1.3 percent. Global activity will likely remain persistently below its pre-pandemic trend, a testament of the damage inflicted by negative shocks, and the

effect of increasing interest rates to control inflation. The war in Ukraine is weighing on aggregate growth prospects for developing countries owing to higher inflation and input costs, disruptions to trade, weaker confidence, and a steep rise in policy uncertainty. These will add to pre-existing headwinds to growth, including rising inflationary pressures, the ongoing removal of fiscal and monetary policy support, and softening external demand. For the private sector in developing countries, supply shortages of key inputs will curb production and profitability and rising financing costs increase the risk of corporate defaults. In addition, the risks of sovereign debt crises and tumbling currencies put downward pressure on capital flows to developing economies; increased portfolio outflows since March 2022 and weak bond issuance in the first quarter of 2022 are early signs. Compared to forecasts produced in January 2020, the trajectory of per capita GDP is lower for all income groups. But reversion to the pre-pandemic trajectory has been substantially slower in MICs and LICs than in advanced economies. (Figures 1a-c).

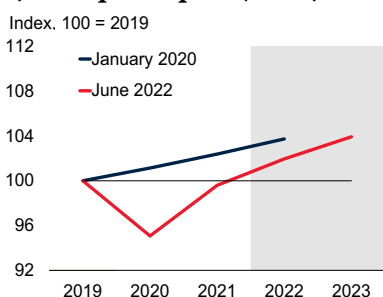
8. More than two years into the COVID-19 pandemic, the human impact is devastating, inequality has increased, and delivering and administering vaccines remains an urgent need.

More than six million deaths from COVID-19 have been officially reported, with the full impact possibly four times higher (EIU 2022). The virus has caused unprecedented harm to billions of lives and livelihoods, and the largest increase in global poverty in decades (Mahler et al. 2022): by 2021, an additional 85 million people were estimated to be below the global extreme poverty line. Mental health problems have worsened across the human population. In 2022, rising inflation, exacerbated by the war in Ukraine, is expected to magnify these trends. While the global poverty impact of rising food and energy prices remains uncertain, different consumption patterns between higher- and lower-income households suggest that the impact of inflation will disproportionately affect the poor putting an additional 20 million people into poverty in 2022 (so, 95 million additional people in total) relative to baseline COVID-19 projections. Over the past two years, the global roll out of COVID-19 vaccines occurred at an unprecedented pace: 65 percent of the world's population has now received at least one dose of a COVID-19 vaccine and over 11 billion doses have been administered globally (WHO & World Bank 2022). Yet serious inequities remain, and the delivery of vaccines against global targets falls well short of expectations, especially in middle-low and low-income countries.³ A total of 110 countries are not on track to achieve the WHO target of vaccinating at least 70 percent of the total population by mid-2022. With the supply situation easing, the overarching global challenge now is to getting shots into arms.

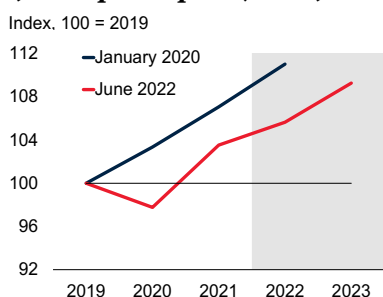
³According to WHO and World Bank (2022) 73.6 percent of the population across high income countries, had been fully vaccinated in early 2022. In upper-middle income countries that number was slightly higher with 73.9 percent. In contrast, only 47.9 percent of the population across lower-middle income countries had been fully vaccinated. In low-income countries that percentage falls to 11.2 percent of the population. One third of the world's population remains unvaccinated.

Figure 1: Selected Economic Indicators

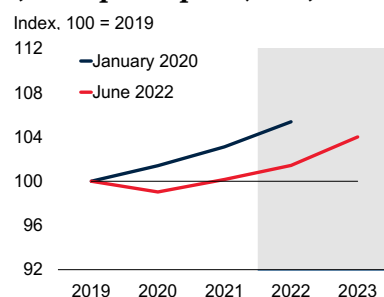
a) GDP per capita (HICs)



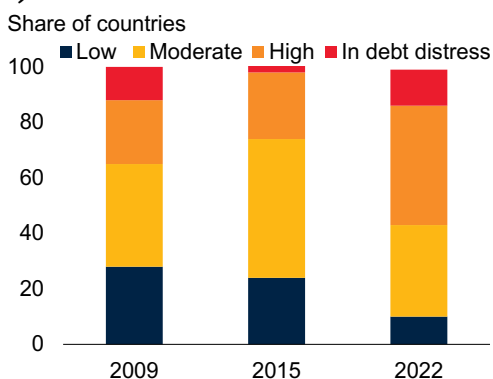
b) GDP per capita (MICs)



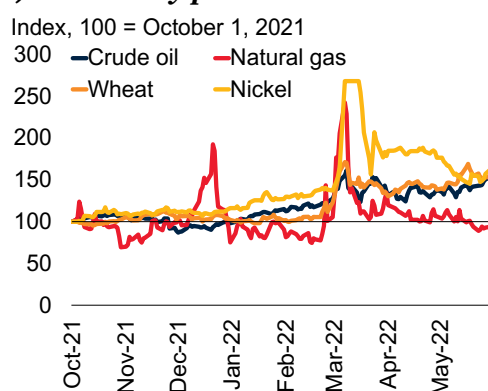
c) GDP per capita (LICs)



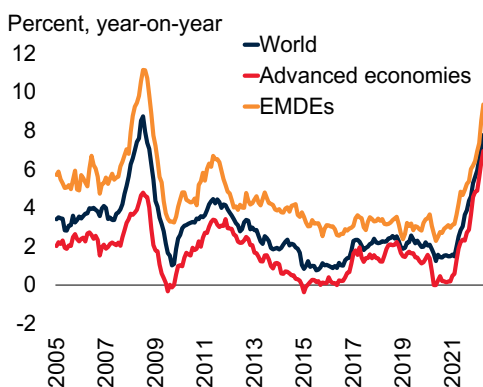
d) Debt risk in low-income countries



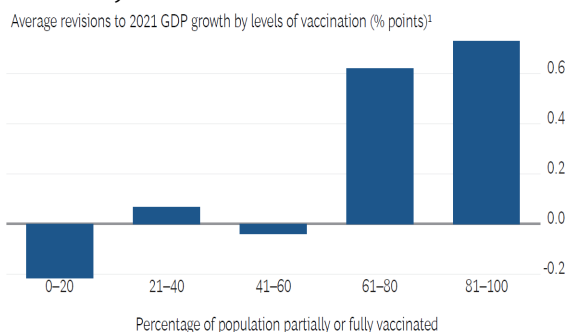
e) Commodity prices since October 2021



f) Inflation, 2005 to April 2022



g) Vaccination levels and GDP growth revisions, 2020-2021



Source: a-c): World Bank; d) IMF, World Bank; e) Bloomberg, World Bank; f) Haver Analytics, World Bank; g) WHO and World Bank (2022).

Notes: a)-c): GDP per capita for each income group is calculated using GDP weights at average 2010-19 prices and market exchange rates. d) Sample includes low-income countries eligible for the G20 Debt Service Suspension Initiative; e) Crude oil refers to Brent, Natural gas refers to European natural gas. Last observation is May 31, 2022; f) Lines show median consumer price inflation for 81 countries, of which 31 are advanced economies and 50 are Emerging Markets and Developing Economies. Last observation is April 2022.

Losses in human capital are devastating for people and families

9. **There is also an urgent need to reverse disrupted human capital accumulation caused by the pandemic.** The market disruptions associated with the COVID-19 pandemic are projected to have increased global stunting and wasting cases (severe malnourishment) in children under 5 by 2.6-3.6 million and 9.3-13.6 million, respectively, with long-lasting implications for physical and cognitive development. Overall welfare and quality of life have reduced across the world. Disruptions in routine health services has far reaching consequences into the future diminishing the health and well-being of people and reducing overall human capital. Learning losses due to unprecedented schooling disruptions and closures abound, while remote schooling proved a poor substitute. Simulations predict that learning poverty rates—defined as the share of children unable to read and understand a simple age-appropriate text at age 10—will increase from 57 to 76 percent, with children from lower socioeconomic backgrounds suffering the greatest losses. This generation of students now risks losing \$17 trillion in lifetime earnings in present value—the equivalent of 14 percent of today’s global GDP (World Bank 2021). In addition, over seven million children have lost a parent or caregiver due to COVID-19 (WHO & World Bank 2022).

10. **Special attention is needed to support groups that suffered violence, reduced employment, and income losses during the pandemic.** Globally, 54 percent of women observed an increase in gender-based violence, with the highest perceived increases in Latin America and the Caribbean and Africa. Female-led firms around the globe were, on average, 4 percentage points more likely to close their business and they experienced larger revenue declines compared to firms run by men. Women’s lower asset base and limited access to resources will have long-lasting impact, constraining their resilience to negative shocks and disasters. Overall, vulnerable groups—children, low-skilled and informal workers, and forcibly displaced people such as refugees, internally displaced people (IDPs), asylum seekers and returnees—were affected to a greater degree than others by pandemic-related mobility restrictions and were more likely to experience harm from work stoppages or income losses early in the pandemic (World Bank 2020; and Ohnsorge et al. 2022). Prolonged periods of inactivity led to losses in learning and skills, making it hard to find employment. This was especially true in lower-income countries where large parts of the youth and the poor are employed in the informal sector with no support.

Global resilience and capacity for crisis response were already weak before the war in Ukraine

11. **Economic challenges reinforced each other in 2022, leaving most countries ill-prepared for another global crisis.** Lockdowns and fiscal support during COVID-19 led to pent-up demand and dwindling fiscal space. The release of pent-up demand in 2021, coupled with supply disruptions and logistical bottlenecks, and more recently high commodity prices (both a result of rising demand in late 2021 and the war), contributed to rising inflation. Median global inflation had already risen from a low of 1.2 percent (year-on-year) in May 2020 to 5.6 percent in

December 2021 (Figure 1f). High inflation and recovering domestic demand led to rising current account deficits and the need for monetary tightening. Rising global interest rates at a time of high and increasing debt levels in developing countries will only add to the macro-economic policy challenges that countries are facing.

12. **Most developing countries lack the resources to respond to these unprecedented challenges without undermining macroeconomic stability.** Compared to previous crises, developing countries entered 2022 in precarious fiscal positions, with incomplete pandemic recoveries and uncertainty about the size of spillovers from financial sector measures taken during the pandemic. In short, they already had fewer resources than advanced economies to respond to the pandemic and, without external support, many countries will have very limited margins to respond to the new crises. Figure 2 shows how countries' fiscal space is correlated with exposure to risks from the global economic impact of compounding crises and uncertainty prevalent in 2022, with small states⁴ and African economies representing the bulk of countries that display high vulnerability. To illustrate (according to World Bank 2022a): Countries in the upper-right quadrant—such as St. Vincent and the Grenadines (VCT) or Mozambique (MOZ)—face high overall risks from the current crisis situation (x-axis) and low fiscal space (y-axis) and are especially vulnerable in the current crisis. Countries in the lower-left quadrant—such as Peru (PER) or Tanzania (TZA)—in contrast, face a lower overall risk coupled with relatively higher fiscal space, and are more likely to be able to respond to the crisis.

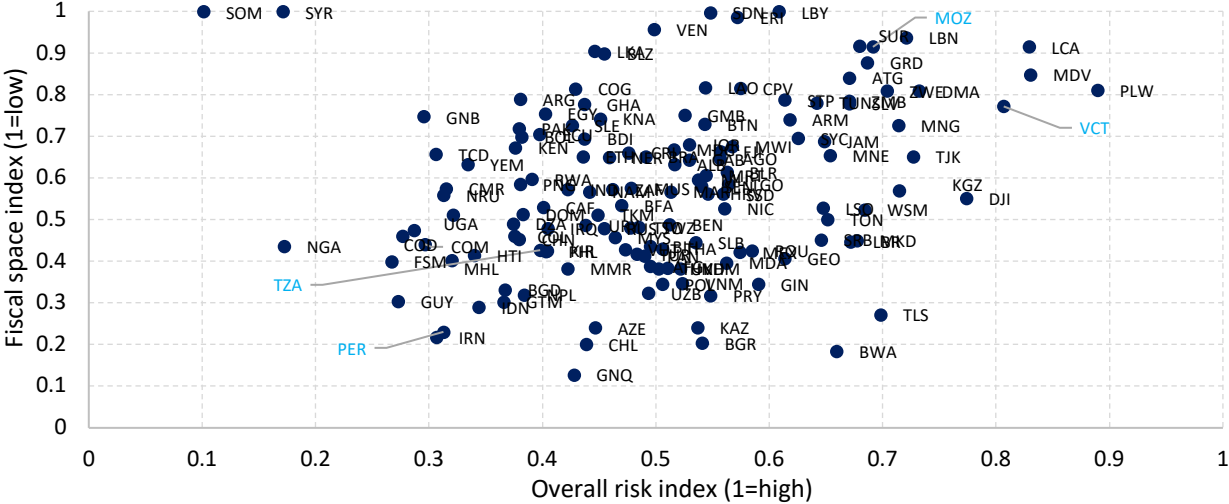
Debt risks continue to build up during the pandemic

13. **The first year of the COVID-19 pandemic (2020) saw the largest increase in debt as a share of GDP in a single year since the end of World War II (IMF & World Bank 2022).** Lower lending rates in advanced economies supported debt portfolio flows to emerging markets and led often to stretched valuations, particularly for lower-rated issuers (IMF 2019). Total global debt rose to 256 percent of GDP in 2020, while developing countries' debt reached 198 percent. Global private debt increased rapidly from 2011 to 2020 on account of rising corporate debt, which increased by more than one-fifth to 98 percent of GDP; household debt rose by over a tenth to 58 percent of GDP over the same period. The pandemic added a further debt surge. Private debt in developing countries reached a record 135 percent of GDP. Combined with a weak global economic outlook and rising financing costs, high debt may stress banking sectors, raise non-performing loans levels, trigger corporate defaults, and lead to capital flight. Mobilizing domestic and international capital to meet development needs is likely to be more challenging in the near future. Meanwhile government debt climbed to 64 percent of GDP (259 percent of

⁴ Most small states are net food and fuel importers, and persistently high prices will result in deteriorating external accounts and adverse social impacts. Monetary tightening in advanced economies in response to accelerating inflation will also result in fiscal and financial stress and higher international borrowing costs in developing countries, which will disproportionately affect small states as many already face high debt vulnerabilities (WBG 2022).

government revenues). In LICs, government debt rose by 9 percentage points and external debt reached 39 percent of GDP (Kose et al. 2021), although private debt was stable. Due to prior debt accumulation and diminished debt capacity, countries in sub-Saharan Africa were less able than those in other regions to access international financial markets (Gill and Karakülah 2019).

Figure 2: Countries’ Fiscal Space and Exposure to Risk



Source: World Bank (2022a).
 Notes: TZA, PER, MOZ, and VCT are highlighted for illustration only (references in text). The x-axis shows the overall risks index, combining five areas of fiscal risks associated with the economic impact of compounding crises and uncertainty prevalent in 2022: 1) debt and exposure to advanced economy monetary policy tightening, 2) fiscal pressures associated with rising food prices, 3) fiscal pressures associated with rising energy prices, 4) revenue impacts associated with a growth slowdown, and 5) general exposure to global spillovers from a global growth slowdown or recession. The overall risks index ranges from 0 (lower risks) to 1 (higher risks). The y-axis shows a fiscal space index, representing the capacity of a government to engage in short-term fiscal expansion without debt sustainability concerns. The fiscal space index ranges from 0 (higher fiscal space) to 1 (lower fiscal space).

The war is having a massive impact on Ukraine and neighboring countries

14. **Russia’s invasion of Ukraine in February 2022 created a humanitarian and economic crisis in Ukraine and had significant impact on neighboring countries.** According to UNHCR (2022), almost one-third of Ukrainians have been forced from their homes since the war began in what is the largest human displacement crisis in the world today. Over 7.1 million people are displaced within the country and 15.7 million people are estimated to require urgent humanitarian assistance and protection. As of June 17, 2022, there are more than 5.1 million refugees from Ukraine across Europe, and over 3.4 million refugees have registered for temporary protection or similar national protection schemes. More than 7.5 million refugee movements out of Ukraine have been recorded since February 24, while almost 2.5 million movements were back into the country since then (UNHCR 2022). Ukraine’s economy is being devastated, with output expected to shrink by about 45 percent in 2022, and the acute trauma suffered by the population will have enduring consequences. Russia is expected to experience a

deep recession with a 8.9 percent contraction in 2022. The broader ECA region (excluding Russia and Ukraine) is set to experience a notable economic slowdown (World Bank 2022f).

Volatility in financial and product markets and rising commodity prices pose challenges

15. **The war sent shockwaves through global energy markets, leading to major price spikes and renewed concerns about energy security.** Energy prices are expected to rise by 52 percent in 2022, 47 percentage points more than projected six months prior (WBG 2022b; Figure 1e). The combination of embargoes on Russian supplies and Russian export restrictions are prompting many countries to search for alternative energy suppliers, albeit under tight global supply conditions and infrastructure constraints that restrict import options, at least in the short-term. Yet, Russian oil (and to a lesser extent coal) is trading at a significant price discount and currently finding new markets in Asia. Elevated prices for primary energy are feeding through into surging wholesale electricity market prices, across Europe and Asia. Since the onset of the war in Ukraine some 60 countries have adopted a variety of new ad hoc measures to protect end consumers from substantial energy price rises, many of which have been hastily and poorly designed. The fiscal cost of these measures is escalating rapidly.

16. **The crisis is fueling inflation, increasing volatility in financial markets amid elevated uncertainty and monetary tightening.** Median consumer price inflation in developing countries reached 9.4 percent (year-on-year) in April 2022, the highest level since 2008 and exceeding the global average. Prices of commodities for which Russia and Ukraine are important suppliers—particularly wheat and fertilizers (in addition to energy and some metals)—have risen sharply since the war began. Agricultural commodity prices are expected to increase by 18 percent in 2022 (WBG 2022b). Prices have also been pushed up by disruptions to global supply chains, where the effects of the war have added to the lingering effects of the pandemic, including disruptions in major Asian (and Ukrainian) ports and continued lockdowns in China. Many central banks have been responding to inflationary pressures by continuing to withdraw monetary accommodation and increasing interest rates. Further monetary tightening is expected, likely adding to the financial stress in developing countries as global capital flows divert towards higher-interest rate developed countries.

17. **Severe food insecurity has been a global challenge since 2014 and is worsening due to the war on Ukraine.** FAO (2021) estimates that, in 2020, 928 million people were severely food insecure, an increase of 145 million from 2019 and the largest number since 2014. Global food and nutrition security is further threatened by Russia's invasion of Ukraine; Russia and Ukraine together account for about 26 percent of the value of world wheat exports, 23 percent of barley, 15 percent of maize, as well as significant value for pulses, meat, horticultural products—all critical to achieving diet diversity and proper nutrition—and disruptions in these exports are having serious repercussions. Ukraine's exports of agricultural products has declined due to the blockade of Black Sea ports and other impacts of the war. Across the globe, rising commodity, energy and input prices are putting pressure on private agribusiness companies through

significantly increased financing needs and risk aversion as defaults and bankruptcies of commodity traders become more widespread. Currently food grain stocks vary significantly between countries, with some countries having excess stocks and others facing critically low levels.

18. **Skyrocketing fertilizer prices could lead to a reduction in production in the next crop cycle.** Russia accounts for 14 percent of the value of global fertilizer exports—about 13 percent of nitrogenous fertilizers, 17 percent of potassic fertilizers, and 15 percent of compound fertilizers. Belarus provides about 21 percent of global supplies of potash. Disruptions in fertilizer supply chains and agricultural transport, which began during the COVID-19 pandemic, are now compounded by fertilizer export bans being put in place and constraints with the banking system. The rapid increase in gas prices has also caused an increase in fertilizer prices. These combined factors have translated into a 203 percent increase in fertilizer prices between April 2020 and May 2022, which led to an immediate increase in agriculture production costs and will likely lower production in the next crop cycle.

19. **Climate change, natural disasters, and conflicts around the world are compounding factors behind rising food insecurity.** Extreme weather such as La Niña and hurricanes affect many countries. Droughts and abnormal dryness in Angola, Mozambique, South Sudan, Ethiopia, Madagascar, and Kenya, have caused higher levels of food insecurity throughout the year. Conflict is also driving food insecurity in many parts of the world. Millions have been displaced and face food insecurity in Ethiopia. In Afghanistan, food insecurity has reached unprecedented levels after the regime change in 2021. In Myanmar, the humanitarian situation is deteriorating rapidly. Protracted conflict also remains a factor for food insecurity in parts of the Democratic Republic of Congo, the Central African Republic, Syria, and Yemen.

20. **Countries have adopted policies that will exacerbate the food crisis and worsen inflation.** Since the beginning of the year, 379 active trade policies on food and raw materials have been announced or implemented (as of June 2, 2022) to increase availability of food. 86 nations have imposed trade policies in food products and fertilizers, especially in the ECA region. Almost 40 percent of countries have imposed restrictive measures. A total of 29 countries have imposed trade policies on fuels and raw materials of which one-third are restrictive policies. These measures magnify the surge in food prices caused by supply disruptions. World Bank staff estimates indicate that export bans imposed since the beginning of the year cover 20 percent of world trade in wheat and are responsible for a 9 percentage-point increase in world wheat prices, hurting food importers. Fertilizer export bans are also proliferating and causing further harm. Direct, untargeted subsidies further erode the little fiscal firepower that is left.

Threatening livelihoods and jobs, this crisis is different

21. **These latest crises are more complex than the COVID crisis alone and require a flexible response in view of the many uncertainties and the multiple ways in which these**

compounding crises could unfold and evolve. The pandemic was first and foremost a health challenge with impacts resulting in the loss of lives, stressed medical systems, a lockdown of economic activity and widespread loss of jobs and income opportunities. In contrast, this latest crisis has caused massive disruptions in commodity markets (beyond what was seen during the COVID-19 pandemic), and precipitated hunger and poverty in many countries. Mitigating the negative social and economic fallout from the current crises will need to be calibrated depending on the length of the war and resumption of normal trade. Compounding the uncertainty of the war and trade disruptions, countries cannot respond as decisively now as they did when the COVID-19 pandemic broke because increased inflation is triggering rising interest rates and fiscal space has been depleted. Losses of livelihoods and jobs cannot be preserved to the same extent as during the pandemic. Short term, well-intended but distortive policy responses to this latest crisis, are further exacerbating the increase in food prices and fueling inflation in the medium-term.

22. **Natural disasters are becoming more frequent and more extreme.** Those disasters cause widespread adverse impacts and related losses and damages to nature and people with the most vulnerable populations disproportionately affected. Because crises such as the COVID-19 pandemic and war in Ukraine have devastating and immediate impacts, climate change—with its delayed and distributed impacts—stands the risk of being relegated to the back seat of policy priorities. The short-term crises response must not mute the world’s attention to climate change.

Country impacts are differentiated, and uncertainties abound

23. **The multiple crises will have significantly different impacts on commodity importers and exporters** (World Bank 2022b). For *commodity net-importers*, commodity price increases, rising interest rates, and supply chain disruptions represent a ‘stagflationary’ shock. The magnitude of the impact will depend on countries’ trade and financial proximity to the conflict region, both physically and economically, the overall exposure to affected commodities, and the length of the war. The consequence is reduced ability of fiscal policy to support economic recovery. *Net-exporters of commodities* will fare better. These countries will see their current accounts boosted and real-sector activity supported over the short-term. But higher energy prices combined with higher inflation will impact non-commodity sectors, lowering their output and profits. Over the medium-term, inflation could diminish gains these countries will reap from higher commodity revenue. Poor people, as always, will be hit hardest, even in countries that gain from commodity price rises.

24. **Countries with low levels of vaccinations against COVID-19 face additional vulnerabilities.** According to WHO and World Bank (2022), countries with higher vaccination rates have been able to recover faster. While—prior to the war in Ukraine—advanced economies had been projected to return to their pre-pandemic growth trends this year, several emerging markets and developing economies were projected to have sizeable output losses into the medium-term. Reducing the impact of COVID-19 on health systems will help to alleviate these

losses and allow countries to return to other crucial health and economic priorities at a time of great global insecurity.

25. **The acceleration of food price inflation will affect food and nutrition security in low-income households where food security was already compromised.** The most vulnerable countries are those with a high share of calories from Russia and Ukraine wheat imports, among them many countries in Fragile and Conflict-affected Situations (FCS). Egypt's wheat imports are heavily concentrated from Russia (53 percent) and Ukraine (17 percent), and wheat accounts for 35 percent of daily calories per person. Lebanon imports about 60 percent of its wheat from Ukraine, and it has reduced storage capacity because wheat silos were destroyed during the 2020 Beirut port explosion. About one-fifth of the wheat consumed in Yemen is imported from Russia and Ukraine, and wheat and bread typically make up about half the daily calories of the people of Yemen.

26. **Countries in FCS are highly vulnerable.** The world had witnessed coups and irregular transitions along with persistent conflicts prior to the pandemic; heightening geo-political tensions and threats to global peace and stability have serious human costs and implications for development (WBG 2022a). The COVID-19 pandemic has not only increased poverty but also aggravated existing FCS risks on top of already rising food insecurity, natural hazards, and climate-related stresses (WBG 2022c). A spike in conflict-related fatalities in 2021 was driven by developments in the South Asia (SAR), Middle East and North Africa (MENA), and Africa regions. In 2021, an estimated 44 percent of people below the poverty line were in countries on the WBG's FCS list. Beyond these most difficult contexts, there is increasing unrest around the world. The Annual Global Risk Survey highlighted business leaders' concerns about an uneven recovery, social breakdown, and environmental impacts over the next ten years (WEF, 2022) pointing to significantly higher risks in FCSs with fewer resources, less social cohesion, and lower government capacity. Effective crisis response will need to help these countries stay on the difficult track to peace, despite an extraordinary difficult global environment.

27. **The multiple global crises provide challenges and opportunities for the achievement of climate goals, and the world's attention must stay the course.** Renewed concerns about energy security are prompting countries, notably in the EU, to accelerate plans for the green energy transition. Nevertheless, short-term coping measures are likely to have the opposite effect as they lock in new supplier relationships and associated fossil infrastructure with the potential to jeopardize near-term energy transition. Many countries now find themselves needing to reinstate mothballed coal plants to meet their energy demands. In the short term, there is a clear trade-off between increased energy security and climate concerns. In addition, tightening capital markets may significantly increase the cost of finance for clean energy solutions given their more capital-intensive nature.

28. **The impact on human capital needs to be addressed urgently.** These crises will make human capital losses across the lifecycle more difficult to overturn. There are particular and

compounding effects of the current crisis on human capital, such as loss of learning outcomes due to school closures during the pandemic, which require targeted interventions to reverse. At the same time, increased demands on parents to make up for lost income over the past few years suggest they will likely have more difficulty affording their children the extra time required to catch-up on schooling lost during the pandemic. If real incomes shrink due to high and persistent (food) price inflation, the risks of malnutrition will increase. Increases in malnutrition in the early stages of life or decreased access to health care throughout the life cycle could ultimately lead to increased morbidity at later stages. The ability of countries to manage the human capital impact of these crises will determine the impact on populations in individual countries.

III. PROPOSED FRAMEWORK FOR WBG CRISIS RESPONSE

29. **The proposed framework for the WBG’s operational response is anchored on the dual track approach of crisis response and long-term development.** The current global situation creates a risk that short-term challenges jeopardize the long-term development path of many countries given their already stretched response capacity. The WBG’s objective is to assist countries to meet this dual challenge. Doing so will unleash mutually re-enforcing dynamics: addressing short-term shocks improves prospects for long-term sustainable development, while developing long-term resilience helps prepare for future shocks. The crises also create opportunities for reform and positive change. For example, the threat to food and nutrition security from a breakdown in current supply chains can spur diversification of supply chains and adoption of more sustainable food production and distribution for the future.⁵ Likewise, the need to diversify energy supplies in the short-term can improve the prospect for more renewable energy in the medium-term. The WBG response is embedded in its GRID approach (WBG 2021). As such, this crisis response is an important building block of the operationalization of GRID. The proposed framework builds on the lessons learned from responding to the COVID-19 crisis (Box 1) and lessons from the WBG response to the 2008 food crisis (Annex 2).

Box 1: Lessons learned during the WBG’s COVID-19 Crisis Response

In response to the COVID-19 crisis, the WBG proposed a framework of four pillars that each support the three stages of Relief, Restructuring and Resilient Recovery. The relief stage involved emergency response to the health threat posed by COVID-19 and its immediate social, economic, and financial impacts. The restructuring stage focused on strengthening health systems for pandemic readiness and restoring health systems; restoring human capital; and restructuring, debt resolution and recapitalization of firms and financial institutions. The resilient recovery stage focused on new opportunities to build a more sustainable, inclusive,

⁵ Recent World Bank analytics show that diversification of supply chains is an effective means to increase reliability and predictability of supplies in importing countries (Brenton et al. 2022).

and resilient future in a world transformed by the pandemic. Financing was combined with a range of analytical work, policy advice, collaboration, and advocacy.

The WBG delivered surge financing of \$157 billion to public and private sector clients in the initial 15 months of the COVID-19 crisis (FY20Q4 to FY21Q4). Of this, \$99 billion was from IBRD/IDA, \$43 billion from IFC and \$8 billion in guarantees from MIGA. The balance was financed by trust funds. Disbursements over the period were \$81 billion, of which \$64 billion from IBRD/IDA and \$14 billion from IFC. For the first 24 months of the COVID-19 crisis (FY20Q4 to FY22Q3), the WBG delivered an unprecedented \$219 billion in new commitments: \$138 billion from IBRD/IDA, \$61 billion from IFC, \$10 billion in guarantees from MIGA and \$10 billion from trust funds. Disbursements reached \$126 billion, of which \$98 billion from IBRD/IDA and \$24 billion from IFC. Total WBG support in the period of crises since April 2020 will reach around \$270 billion by the end of June 2022.

The operational response to the COVID-19 crisis demonstrated that the WBG is fit-for-purpose, allowing to provide for a quick response while maintaining the strength of the WBG processes. This was enabled by the flexibilities introduced by the new procurement framework in 2016, allowing for advanced contracting and retroactive financing. Experience with the Multi-Phase Programmatic Approaches (MPA) vaccine projects show that they moved procurement at 9.3 times faster than other Investment Policy Financing (IPF) health projects and 14.2 times faster than all other IPF projects, demonstrating the effectiveness of current procurement policies and procedures to respond to emergency situations.

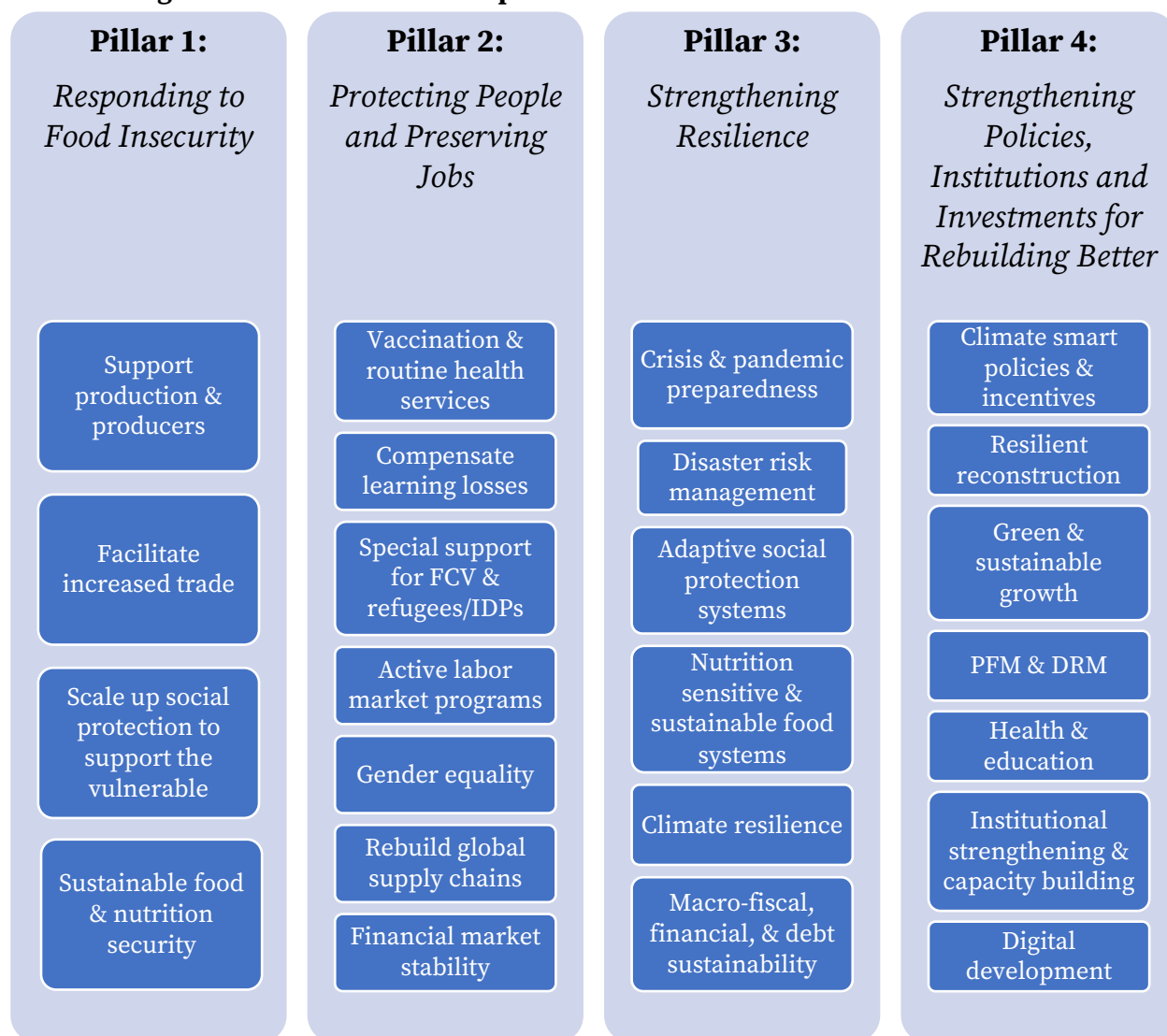
Several lessons are relevant for future responses to crisis (WBG 2022c; and IEG 2022):

- *Relevance of the country engagement framework.* The WBG response re-affirmed the benefits of the country engagement framework while providing surge financing. In many cases, country responses required some adjustment and reprioritization of country programs, including restructuring of projects depending on country contexts and use of Contingent Emergency Response Components (CERCs) and other operational flexibilities as needed. Nevertheless, the country engagement framework was robust and facilitated a continued focus on the long-term development path.
- *Institutional strengthening is a necessary foundation for bolstering crisis preparedness and resilience.* Strengthening national systems and institutions to respond to crises is essential. Across countries, the COVID-19 pandemic highlighted the critical role of public sector institutions, including in determining the extent of the crisis (data collection, aggregation, and analysis); defining appropriate crisis response; and fostering coordination to implement policy. *Ex ante* measures for preparedness are paramount.
- *Protecting human capital is key and WBG support addressed country needs most comprehensively where earlier work on human capital had built preparedness.* Reorientation of country portfolios to accommodate COVID-19 helped most when projects were able to draw on existing knowledge work and relationships in health, social protection, education, and other sectors, such as water, agriculture, and governance.

- *Digital solutions, incorporating appropriate data protections, serve as a key tool.* High-quality disaggregated data is paramount to understand the situations of vulnerable groups, including persons with disabilities, thus supporting inclusive development. Crisis response also served as a catalyst to modernize online service delivery, demonstrating how technology can improve public sector effectiveness.
- *COVID-19 crisis response in FCS underscores the need for adaptive support.* Undertaking rapid portfolio actions (including cancellations, reallocations, new or additional financing, and resequencing of the portfolio) represents an important pro-active approach to risk management, dynamic decision making, and rapid response that is needed to adapt in episodes of crisis and cycles of FCV.
- *Support to the private sector is key to recovery.* The importance of developing and providing agile solutions with short- to long-term support during crises is key to minimizing the economic impact within economies and sustaining private sector activity and job opportunities. Domestic market development helps improve the capacity to deal with external shocks. The financial sector also plays a critical role in creating fiscal and monetary policy space. IFC's range of financing, upstream and advisory solutions, including through the Fast-Track COVID-19 Facility, provided multiple mechanisms in support of sustainable private sector operations across client countries. MIGA was able to provide timely and responsive support under its Fast-Track Covid-19 Response Program, which was instrumental in supporting private sector clients and private financing for the public sector to help sustain businesses, jobs, and services, including in the health sector, during the crisis.
- *A diversified instrument mix in countries increased preparedness and helped a swift response.* The Multiphase Programmatic Approach (MPA) provided a rapid approach to expand new lending for the health response, but countries also needed health advisory support and financing in the early weeks and months of the response. Crisis instruments, repurposed projects, regional projects, trust funds, and grants helped rapid financing and just-in-time assistance in the early months of the crisis.

30. **The WBG operational response to the latest set of crises will be underpinned by four interrelated pillars.** These include: (i) *Responding to Food Insecurity*, which aligns with the WBG's comprehensive response to the food and nutrition security crisis announced on May 18, 2022 (WBG 2022d), (ii) *Protecting People and Preserving Jobs* to protect against the other, non-food related impacts of the multiple crises; (iii) *Strengthening Resilience* to be better prepared for any future crisis and challenges; and (iv) *Strengthening Policies, Institutions and Investments for Rebuilding Better* to utilize the opportunities the crises provide to improve long-term development outcomes. Figure 3 presents these Pillars and highlights selected thematic areas they could cover. These pillars provide a broad schematic to guide operations, and operations will likely cover thematic areas in more than one pillar. For example, DPFs could include policy actions in all four pillars. An infrastructure focused IPF could include activities in Pillars 3 and 4. A food security IPF could finance cash transfers for immediate crisis response under Pillar 1 while including measures to upgrade social protection systems under Pillar 3.

Figure 3: The WBG Crisis Response Framework and Selected Thematic Areas



Notes: The blue boxes are examples of WBG intervention areas under each pillar; additional areas can fall under the pillar categories. Under Pillar 4, PFM denotes Public Financial Management and DRM denotes Domestic Resource Mobilization.

31. **The WBG’s initial crisis response in Q4 of FY22 aligns well with these pillars.** In FY22Q4, the WBG largely delivered the financial support envisaged in the “Roadmap” Paper (Table 1, WBG 2022), with operations and analytical support fitting well within this framework (Annex 1). Support for Ukraine was aligned primarily with the Approach Paper for Ukraine (Annex 3), but also fit within these pillars. In other parts of the developing world, notably countries facing serious food insecurity, operations addressed supply and demand side constraints to make food available to the vulnerable. Analytical work highlighted the costs of distortive trade restrictions and advocated for prudent policies. IFC and MIGA support addressed issues across the four pillars, for example Pillar 1 through trade finance and support to financial institutions for short-term working capital loans to the real sector, and Pillars 2 and

4 through development of financial markets and cleaner energy, respectively. World Bank Development Policy Financing (DPFs) supported the policy agenda across the pillars while providing budget support. MPAs for Africa are laying the groundwork to expedite food and nutrition security projects in these Regions over the coming months.

Pillar 1: Responding to Food Insecurity

32. **Interventions under Pillar 1 will align with the WBG’s comprehensive response to food and nutrition security announced on May 18, 2022** (WBG 2022d). While interventions under the COVID-19 response focused on reducing transmission of the virus and resultant deaths, an important objective of Pillar 1 operations will be to support food and nutrition security by targeting food and income support programs to vulnerable households. Direct support to agriculture production and producers will help alleviate supply constraints and improve food and nutrition security, and WBG interventions will include efforts to expand fertilizer access and increase the supply of seeds and fertilizers, to enhance food supply next year. The design of social protection measures will also reflect the steep increases in energy prices that households are facing, and which risk pushing many into energy poverty. The operations will be prepared in the following four areas:

1. **Support production and producers:** Take actions to enhance next season’s production by removing input trade barriers, focusing on more efficient use of fertilizers, and repurposing public policies and expenditures to better support farmers and output.
2. **Facilitate increased trade:** Build international consensus (G7, G20, others) and commitment to avoid export restrictions that increase global food prices and import restrictions that discourage production in developing countries.
3. **Support vulnerable households:** Scale up targeted, nutrition-sensitive social protection programs and replenish early-response financing mechanisms.
4. **Invest in sustainable food and nutrition security:** Strengthen food systems to make them more resilient to rising risks (conflict, climate, pests, diseases), trade disruptions and economic shocks, balancing immediate/short-term needs with long-term investments.

To implement these solutions, the World Bank is preparing \$12 billion in operations between April 2022 and June 2023, beyond its existing portfolio of \$18.7 billion in this area, providing over \$30 billion in financing for food and nutrition security over this 15-month period.

33. **Bank operations will support supply and demand side interventions to increase food supply and protect the most vulnerable from high food prices.** Investment Project Financing (IPF) prepared under Multi-Phased Arrangements (MPAs), for example in Africa, will help scale up existing social protection networks under Pillar 1 while also improving food system resilience, and building regional capacity to manage agricultural risks under Pillar 3 (Box 2). Social protection operations will provide demand side interventions to ensure that the poor are able to afford food and fuel. Safety net operations are being scaled up aimed to provide

immediate support (e.g., cash transfers, food distribution through safety net systems) to project beneficiaries affected by the food crisis, while new operations are also under consideration. In LCR, for example, the FY23 pipeline of adaptive social protection projects includes projects that will focus on cash transfers. In many countries across the world, DPFs will be used to support public spending as countries increase fiscal support to cushion the impact of high food and fuel prices. World Bank responses to the crisis will be coordinated and complementary to the work of IFC and MIGA. For example, World Bank interventions will provide analytical foundations and financing to support policy shifts while IFC and MIGA will provide related support for a private sector response.

34. **IFC's Global Food Security Platform will help support private sector activities to close the financing gap for agribusinesses across the food supply chain.** While this platform will support interventions across all pillars, under Pillar 1, it will focus on increasing crop production, improving access to fertilizers—including organic, greener fertilization production—and reducing crop loss and food waste. The platform will target countries most vulnerable to food and nutrition security shocks and those that are able to increase production of key inputs and agricultural commodities. IFC will help facilitate financing, directly and through financial intermediaries. In addition, IFC is developing an Africa Trade and Supply Chain Recovery Initiative (ATRI) which is a trade-value-chain focused initiative intended to support food and nutrition security through private sector activities. ATRI's focus on African trade, including critical imports of food, fertilizer, and energy in the face of rising prices, is designed to complement IFC's proposed Global Food Security Platform, which seeks to address broader issues related to food and fertilizer production and access across all regions. The IDA Private Sector Window (PSW) will be instrumental in supporting IFC's investments in this regard, by providing a 30 percent Pooled First Loss Guarantee benefiting investments in IDA PSW-eligible countries in Africa.

35. **MIGA will provide trade finance for agriculture and seek to support other areas of the agriculture supply chain, including fertilizer production.** In the context of increasing fragility across developing countries, MIGA will seek to enhance its war and civil disturbance cover support to foreign direct investors, to help preserve jobs, especially for the poor and the vulnerable. Within Ukraine, MIGA will partner to provide trade finance support to Ukrainian state-owned banks aimed at assisting them to import critically needed goods and commodities, such as pharmaceuticals and food products. MIGA will be looking to donors for support to scale up MIGA's trade finance backing to Ukraine with the level and timing of donor assistance critical to MIGA's ability to engage effectively.

Box 2: Food Systems Resilience Program for Africa

Multi-Phased Programmatic Approaches are being deployed in Africa to address food insecurity and improve the resilience of food systems in participating countries.

In West Africa, the West Africa Food System Resilience Program (FSRP) provides a \$641 million MPA program financing envelope and aims to reduce the number of food insecure people in West Africa. The program will aim to reach 4 million direct beneficiaries and will be co-led by regional organizations in cooperation with participating countries. The first Phase of the Program will support Burkina Faso, Mali, Niger, and Togo, as well as some regional organizations.

In Eastern and Southern Africa, a second FSRP will provide a range of short-term support measures to help enhance food supply. These may include: procuring and distributing agricultural inputs, for instance seeds and fertilizer; vouchers for the purchase of inputs from local markets—such as animal feed and livestock—as available; clearing and restoring affected areas or on-farm facilities; and facilitating access to fertilizers as short-cycle or rapid food production solutions. The program will also prioritize medium-term transformational solutions by building resilient productive capacity, managing natural resources sustainably, enhancing market access and commercialization, and improving policy and regional coordination.

The first phase of the program—totaling \$873.6 million will bring together Ethiopia and Madagascar, and two regional organizations. The second and subsequent phases, preparation of which commenced in FY22, are expected to include South Sudan, Somalia, Kenya, Tanzania, DRC, Angola, Mozambique, and Zambia, among others, as well as regional institutions. The program will be presented to the Board in June 2022.

36. **Indirect, policy level actions under Pillar 1 will include supporting open trade regimes to expedite the flow of essential goods, and reforms to support macro stability.** The WBG will use its convening power to facilitate global coordination and engage in global advocacy for keeping trade regimes open. Analytical work will highlight the negative impacts of trade restrictions on trading partners, especially in LICs. IFC and MIGA will work together to support trade finance across impacted markets, including for essential goods. The IFC-MIGA Global Trade Finance Program (GTFP) Facility will aim to include support for Ukraine in the MIGA guarantee envelope. Separate support to rebuilding global supply chains, will be mobilized by the WBG under Pillar 2. The reduction of fragmentation and polarization in the world, which also is determined through WBG trade support, will also be addressed in the context of the WBG's agenda on Global Public Goods (GPGs).

Pillar 2: Protecting People and Preserving Jobs

37. **The objective of interventions under Pillar 2 is to ensure that the compounding crises do not have a negative impact on people and jobs.** Pillar 2 will include operations that address the impacts of the COVID-19 pandemic and the Ukraine war, while helping maintain jobs in a rapidly worsening macro environment. There is an important unfinished agenda on health and education, which includes vaccination, resumption of routine health services that were compromised in an effort to address pandemic related impacts, addressing the significant learning losses, and continuing support to refugees and IDPs. The lockdowns and disruption in economic activity in the aftermath of the COVID-19 pandemic resulted in significant job losses, destroying livelihoods in service sectors and across a diverse set of countries. While economies have been able to rebound in recent months, significant monetary tightening could hurt nascent recoveries, and the food and fertilizer crisis could affect livelihoods in the agriculture sector, where a bulk of the world's poor work. Support will be provided to preserve jobs and create new ones, through skills training, active labor market programs (ALMPs) and initiatives to facilitate gender equality and encourage entrepreneurship and women's economic activity. Gender issues are also considered in Pillars 3 and 4, for instance in the context of improving social protection systems and supporting health and education sectors. Market and enterprise support will also need to be mindful of the emerging global trade-offs, such as changes in economic relationships of developing countries with developed countries, as they rethink their migration, trade, investment, and global value chains policies. Regulatory reforms will be part of the WBG's agenda under Pillar 4, where for instance competition policy, climate smart policies and domestic resource mobilization will require implementation of regulatory reforms.

38. **To protect people, the WBG will support countries to continue controlling the spread of the pandemic and ramp up the provision of essential health services.** Vaccination, testing, treatment, and care for COVID-19 patients is the only way to protect against illness and death from future variants. The WBG has worked closely with partners to mobilize and provide financing for countries to ramp up global vaccine coverage. In FY23, WBG operations will continue to support vaccine procurement and deployment, working closely with health counterparts in client countries to use this financing effectively, manage the delivery of vaccines, continue to increase deployment capacity, and address constraints such as hesitancy to continue to increase vaccination coverage globally. IFC's Global Health Platform enables investment and advisory services for domestic production of vaccines, personal protective equipment, and medical devices in Africa, Latin America, and beyond. IFC is also supporting several Upstream engagements by providing technical assistance, coordinating various strategic/financial partners, and/or contributing early-stage funding to build capabilities for early-stage vaccine manufacturing projects, primarily in Africa but also in Latin America and Asia. COVID-19 has been a major catalyzer to create momentum for building regional vaccine manufacturing capabilities to improve future resilience and vaccine equity, and IFC will support sustainable and commercially viable multi-vaccine platforms for future health emergencies. It will continue to support its ongoing Upstream vaccine projects and portfolio clients, identify

additional promising vaccine opportunities globally, and continue coordinating with various international partners (such as CEPI and WHO) to build the enabling environment for sustainable regional multi-vaccine manufacturing projects

39. Pandemic response should go together with the provision of essential health services.

The Bank will continue to support countries as they restore routine health services, including immunizations, reproductive health services and nutrition services, all of which suffered a major set-back due to the pandemic. It will also help countries provide services to promote women's and girls' safety and address the needs of GBV survivors. MIGA will continue to support host countries to bolster their medical response to the pandemic by mobilizing long-term financing under its COVID-19 Fast Track Response Program. WBG support to strengthen health systems more generally will be deployed under Pillar 4 stronger health systems are an important part of the rebuilding better agenda.

40. The WBG will support countries to address learning losses from disruptions in schooling.

The WBG will prioritize operations to support re-opening of schools and implementation of student learning assessments as students return to school to determine how class instruction should adjust to a new baseline. It will also be important to simplify curricula, prioritize socioemotional health and well-being, focus on foundational skills, ensure that adolescent girls do not drop out of school, and encourage female enrollment in STEM classes. WBG support to improve education systems and outcomes more generally will be utilized under Pillar 4 as education, like health, represents an important input to the rebuilding better agenda.

41. Supporting migrants and displaced people will be a key element of WBG support.

For Ukrainian migrants and refugees, WBG operations are already supporting their journey and their arrival in a safe environment (Annex 3). There is also great need to support migrants, refugees, and IDPs in other conflicts and FCV situations around the globe, such as in Sudan, Sahel, Afghanistan, Myanmar, and others. Globally, about 60 percent of the total refugees and possibly about 50 percent of the IDPs live in urban areas (UNHCR 2017). Continued access to health care and other services during the pandemic for those fleeing war and destruction is critical, as is preventing gender-based violence in refugee situations. Socially, tensions between the displaced and the host communities can increase as pressure on basic services and resources (such as land and jobs) mounts and xenophobia against "outsiders" grows (Marston 2019). The pandemic and the war have both underscored the importance of restoring remittance services—often an economic lifeline for poor households—as a part of crisis response (World Bank, 2022c). A focus on cities will be important for displaced populations, which are often attracted to them as centers of economic activities: they bring a diverse range of economic opportunities, services, safety, and anonymity, but structural issues in host cities can work against the economic integration of the displaced.

42. The WBG will support countries' efforts to enhance women's economic activity and strengthen ALMPs to protect jobs during the crises.

Data collection efforts to improve the

availability of timely sex-disaggregated data to inform policymaking is key. Support will also be provided to countries for reforms of national laws and policies to address existing discriminatory barriers to women's employment and enhance economic, financial, digital, and social inclusion, including inclusion for women in forced displacement. Operations will help expand women's access to quality affordable childcare, and financial and digital services. Additionally, since crises often lead to significant labor reallocation across sectors, ALMPs will be supported where feasible. Several interventions in Pillar 1, related to food and nutrition security, will also support farmer livelihoods and jobs, and will be relevant for Pillar 2.

43. **The WBG will help support the smooth and effective functioning of critical trade routes and rebuild supply chains.** Disruptions to global trade is necessitating a re-configuration of transport corridors and associated logistics infrastructure to support a variety of alternative routes allowing trade to adapt to different shocks. Nowhere is this more evident than with the challenge of exporting Ukraine's sizable grain production without access to customary Black Sea ports. While alternative export routes through other European ports are feasible, their activation calls for upgrades to rail links and port infrastructure, as well as streamlining of border protocols. Similar issues arise with reconfiguring patterns of global energy trade, which is shifting the balance away from pipeline infrastructure and towards increased reliance on maritime infrastructure to support LNG.

44. **The WBG will support governments to maintain financial stability and support private sector's liquidity if needed.** Rising borrowing costs, persistently high inflation, deteriorating investor sentiment, and currency depreciation may lead to financial stress in developing countries. The World Bank Group is supporting its clients prepare for the impacts of economic crisis on the financial sector. In the short term, the World Bank will make use of diagnostic tools, including the joint Bank-Fund Financial Sector Assessment Program (FSAP) to advise regulators on stress testing (including of non-bank financial institutions), and assess the health of the financial sector. A well-capitalized financial sector can help firms addressing urgent liquidity pressures, thus limiting bankruptcies and insolvencies. The WBG will support smaller enterprises, including through support to microfinance institutions.

45. **A range of operations will support interventions under Pillar 2.** DPFs will focus on policy interventions, focusing for example on policy reforms enhance women's role in economic activity with a strong focus on rural residents. IPFs will support national innovation systems and strengthen delivery of technical and vocational skills for vulnerable groups. IFC's Upstream approach will support efforts to address constraints to private sector development across targeted sectors, with an emphasis on the creation of viable private sector investments across client countries. IFC's Ukraine Crisis Regional Response and Reconstruction platform (which includes interventions across all Pillars) will help maintain existing employment opportunities and create new jobs through private sector led growth. Through its political risk insurance (PRI), non-honoring (NH), and trade finance covers, MIGA will tailor its response to the needs of each country, and under Pillar 2, it will help banks provide support to SMEs and corporates by

facilitating access to longer term financing in an environment where their balances sheets have been stretched. MIGA will also aim to support Ukraine's banking sector using MIGA's capital relief cover. Once the war in Ukraine is over, MIGA's war and civil disturbance cover, along with its other PRI covers, can play a critical role in attracting FDI into priority sectors of the Ukrainian economy.

Pillar 3: Strengthening Resilience

46. **While WBG operations across the pillars will help to strengthen resilience, operations under Pillar 3 will identify and support paths presented by the current crises to build long-term resilience.** The WBG emphasized resilience and crisis preparedness in both its COVID Approach (WBG 2020) as well as the GRID Approach (WBG 2021) and support in the coming months will continue to build resilience in multiple sectors. The WBG will focus on crisis preparedness and disaster risk management, a top priority for strengthening resilience. The Bank is committed to roll out a new Crisis Preparedness Gap Analysis to inform IDA's financial and technical support in this area. Efforts will continue in the area of pandemic preparedness, learning from the experience of the recent pandemic. WBG will support countries to strengthen social protection systems which can provide adaptive support programs that are less vulnerable to future disruption. The specific needs of women and girls will be considered in these efforts. Supporting client countries to repurpose existing programs towards nutrition-sensitive and sustainable food systems would allow for more effective use of already constrained resources. Climate resilience will be supported through operations in this pillar and in Pillar 4. At a macroeconomic and policy level, the WBG will support client countries to better manage macro-fiscal and debt challenges, restore economic stability, rebuild fiscal space needed to provide consistent services to the people and provide resilience to future shocks.

47. **Global initiatives to strengthen pandemic prevention, preparedness and response (PPR) will also support increased resilience in client countries.** Integrated and multi-sectoral approaches such as "One Health" are critical for pandemic prevention preparedness and response. One Health provides guidance on targeted investments to prevent, diseases with pandemic potential, including antimicrobial resistance. The Bank already has a large active IPF portfolio (\$30 billion covering 100 countries) that addresses pandemic preparedness by supporting the strengthening of core health system capacities, such as for example in São Tomé e Príncipe, where the COVID-19 response project supports investments in One Health to improve preparedness and response activities for public health emergencies, by enhancing zoonotic disease information systems, including integrated analysis of animal health surveillance data for early warning and rapid response. These initiatives will be broadened and deepened with new projects and initiatives as needed. For instance, a new PPR Financial Intermediary Fund (FIF) is currently at approval stage to allocate financing for where investments are most urgently needed (Box 3).

Box 3: The Pandemic Prevention, Preparedness and Response Financial Intermediary Fund

COVID-19 has highlighted the urgent need for collective action to augment the existing global health security financing system and mobilize additional resources for increased investments in pandemic prevention, preparedness, and response (PPR). Avoiding future pandemics requires investing substantially more in PPR; these investments will help avert the much larger costs that the world would have to incur if we were to be caught unprepared for the next global health crisis. Countries must step up domestic investments in the core capacities needed to prevent and contain future pandemics, in accordance with the International Health Regulations. This must be complemented by enhanced external financing, particularly for developing countries. The joint World Bank-WHO paper on PPR financing needs and gaps prepared for the G20 Joint Finance and Health Task Force estimated that external financing amounting to an additional \$10.5 billion per year, over the next five years, is needed for investments at the country, regional and global level to strengthen the capacity of low-income and middle-income countries. PPR is a global public good. Mobilizing the needed external financing to strengthen PPR in low and middle-income countries and regions, that are the most fiscally stretched and in need of financial support, is the collective responsibility of the international community (WBG 2022f).

The following key principles would underpin the FIF's design: First, it would complement the work of existing institutions that provide international financing for PPR. Second, resources mobilized for the FIF would add to, and not substitute for, existing ODA for global public health and other priorities. It would be designed to catalyze funding from private, philanthropic, and bilateral sources. Third, it would have the flexibility to work through existing institutions engaged in PPR financing; this would enable it to promote coordination among existing institutions and serve as an integrator rather than become a new silo that only furthers fragmentation. It would also have the flexibility to adjust over time as needs and the institutional landscape evolves. Fourth, it would be able to incentivize countries to increase financing for PPR. Fifth, it would be designed to reflect inclusivity, while ensuring streamlined and efficient governance and operating procedures. Given the legitimate concerns that have been raised around fragmentation of the global health finance architecture, it is important to note that a new FIF, hosted by the Bank, would not entail the creation of a new standalone institution that would add to further fragmentation. The FIF would be designed to draw on existing institutions, building on their respective comparative advantages (WBG 2022f).

48. **WBG interventions will focus on upgrading systems to make them less vulnerable to crises through the inclusion of adaptive design elements.** Bank operations will help to enhance crisis preparedness emergency response planning to save lives and livelihoods and enable sustainable public services. Bank support will facilitate developing policy frameworks, regulations and institutional capacities for crisis preparedness and response and include enhancing capacities at the national, state, and local levels for multi-sector preparedness. Cross-

cutting preparedness efforts will focus on improving systems following a whole of government approach which will be deepened through sector specific preparedness efforts including upgrading social protection systems with investments in unique IDs, social registries and payment systems, leveraging an integrated digital ecosystem. Food supply chains will be improved by providing financial assistance to procure agricultural inputs and livestock to maintain food supply. Over the medium- to long-term, the WBG will support sustainable food systems, for example through the ongoing MPAs in Africa, by carefully managing natural resources, enhancing market access and commercialization, supporting the private sector, and improving policy and regional coordination.

49. **The WBG will help countries secure pre-arranged funding to respond to climate related shocks and improve resilience.** This would help countries access timely financial support, especially for disaster risk management. The Bank's CAT DDOs will help countries pre-arrange finance and have been popular instruments in times of crisis; almost all active Bank CAT-DDOs were drawn down between FY20–21 as countries responded to the COVID-19 crisis. More are likely to be prepared in FY23, as countries secure contingent financing for future emergencies. CAT DDOs can help improve the capacities of institutions and systems to be better prepared for future shocks including disaster and climate risks (which improves climate resilience), as well as health emergencies through policy actions in addition to providing contingent financing. Climate-smart and resilient physical and digital infrastructure (see also Pillar 4) is increasingly critical in delivering better and maintaining public services and facilitating improved interactions between citizens and institutions. In addition, the World Bank Capital at Risk Notes program facilitates risk transfer solutions for the World Bank and its clients using the capital markets. Under this program, the World Bank issues notes where some or all of the investors' principal may be at risk, such as catastrophe bonds (Cat Bonds). Cat Bonds allow entities exposed to natural disaster risk, to transfer a portion of that risk to bond investors. Cat Bonds work in a similar manner to insurance, paying out when a disaster event meets certain pre-defined criteria (e.g., a specified earthquake magnitude).

50. **The World Bank's systematic monitoring and policy analysis of key economic, physical, institutional, and social vulnerabilities also support countries to build resilience.** The timely monitoring of household welfare, economic vulnerability, and progress toward twin goals, and the development of early warning indicators are important to contain the adverse impact of shocks. The WBG will continue to produce and implement a wide range of diagnostic tools, regular reports, and databases that can help understand compound risks due to disasters, climate change, health emergencies, disease outbreaks or pandemics, and food security, which would help monitoring macroeconomic, financial, sectoral, and physical vulnerabilities. Through implementing existing diagnostic tools and developing new ones, the Bank will inform the identification of precautionary measures, response and recovery plans, and help building a culture of preparedness.

51. **WBG interventions will also help strengthen economic resilience.** Macro-fiscal, financial and debt sustainability are key components of economic resilience. Many developing countries were already over-indebted prior to the COVID-19 pandemic, and the extended crisis response financing has added to this debt burden. To help restore macroeconomic stability the WBG will support strengthening fiscal frameworks to improving debt paths, improved expenditure monitoring and oversight, debt transparency, and debt management. Inflation control through closely coordinated fiscal and monetary policy will be a key component to maintain macroeconomic stability and protect the people. Identifying opportunities to create additional fiscal space through improved public financial management or tax reforms will be an important element for countries to mount support to their medium- to long-term recovery. The joint Bank–Fund LIC Debt Sustainability Analyses, and the Policy and Performance Actions that countries commit to annually under the Bank’s Sustainable Development Finance Policy will help monitor and lower debt vulnerabilities in LICs.

Pillar 4: Strengthening Policies, Institutions and Investments for Rebuilding Better

52. **WBG interventions under Pillar 4 will focus on long-term policies to advance the GRID agenda and help rebuild better.** With Country Climate and Development Reports (CCDRs) nearing completion or under way in around two dozen countries, the WBG will provide core diagnostics that integrate climate and development and prioritize impactful interventions on climate change adaptation and mitigation, focusing on a variety of sectors ranging from agriculture to energy to financial markets. The WBG will strengthen policies and regulation in priority infrastructure sectors such as energy, water, and transport to support the transition. IFC will also promote sustainability-linked financing across emerging markets. Sustainability-linked bonds and loans, a fast-growing sustainable finance instrument, offer the potential to support an array of initiatives, from green buildings to affordable social housing. IFC will also supporting global awareness and standard setting through industry bodies like the Sustainable Banking Network and the Green Banking Academy. MIGA will prioritize the GRID agenda through its continued work in scaling up climate finance through a multi-sectoral and multi-country approach aimed at supporting mitigation and adaptation solutions tailored to client and country needs. MIGA, working closely with the Bank and IFC, is already scaling up its work in distributed energy to address the challenge of access to reliable and clean power. MIGA is also piloting work to leverage opportunities in carbon markets to support the transition to a low-carbon future. Beyond these areas, the WBG will continue its focus on building strong institutions, supporting well- functioning health and education sectors, using digital tools where feasible to enhance development solutions.

53. **Climate smart operations and policies will be a large area of focus.** The WBG will continue to scale-up efforts to support clean energy, energy efficiency and transport technologies, both through investments and reforms to the enabling policy environment, while working to catalyze associated private investment. Important areas include reform of energy prices and subsidies and adoption of renewable electricity. Climate smart urban transport

systems can both abate carbon and create jobs at the same time for households and firms during a time of escalating prices. In addition, the World Bank will support clients working on the just transition to help in the reduction of carbon intensity in the economy. Operations in Pillar 4 will also benefit from efforts to improve climate resilience in Pillar 3, for instance through CAT DDOs.

54. **A key focus of WBG support to rebuild better will be to strengthen public institutions, deepen financial markets, and invest in climate-smart infrastructure.** Well-coordinated institutions are better able to implement the multi-sectoral responses needed to mitigate damage and reduce policy uncertainty when crises occur. The war in Ukraine, and conflicts in other parts of the developing world will necessitate investments in reconstruction. Through its support to municipalities, IFC will help strengthen sub-national institutions and help them develop local infrastructure services. MIGA is supporting select state-owned banks in raising long-term funding for financing sustainable and climate-smart infrastructure and green buildings.

55. **Operations under Pillar 4 will continue to address other critical aspects of institution building, including Public Financial Management (PFM) and Domestic Resource Mobilization (DRM).** For example, the Bank will support public procurement systems along the following areas: (i) develop, expand and strengthen e-procurement systems and link these with other e-government systems such as e-registration for companies, e-planning, e-budgeting, e-payments, e-banking and e-tax registration for increased efficiency and enhanced accountability; (ii) use technology and anti-corruption tools to combat fraud and corruption in procurement and contract implementation, with greater transparency and citizen oversight; (iii) introduce a clear definition of emergency procurement (including delegation of authority and decision-making at appropriate levels); and (iv) develop green and sustainable procurement policies. A range of interventions will support DRM, from tax policy measures in DPFs to analytical work in PERs and CEMs.

56. **In the area of health, WBG will support countries to accelerate progress towards Health-For-All and strengthen health security at the country level.** Support will be provided to harness and mainstream new technologies that improve health outcomes at the country level, including with the private sector. Gender health dimensions will be addressed. Through IFC's Global Health Program, IFC will continue its efforts to support the supply of healthcare and the manufacture of necessary products, to address both the impacts of the pandemic as well as to create new markets or expand existing markets for long-term support for local communities. As part of MIGA's COVID-19 Response, MIGA provided credit enhancement for public sector borrowers to raise long-term commercial borrowings for investing in their healthcare systems; this work will continue as part of the crisis response.

57. **In addition, the WBG will support investments in education and early childhood development (ECD), helping build human capital.** In complement to the efforts to compensate learning losses (Pillar 2), support to rebuilding better will shift to helping rebuild a more

diversified, affordable and equitable education service that can ensure continuity and acceleration of learning for both and girls. This will entail consolidation of multiplatform remote learning, including resources to be accessed in school and at home on a permanent basis, as well as support for blended learning methods. Investments in online coaching and blended training will allow scale-up of capacity building for teachers, including digital skills.

58. The Human Capital Project will help support crisis response by identifying multisectoral policy interventions that are critical across the lifecycle. DPFs will support the adoption of suitable policy frameworks to enhance human capital. For example, a Senegal DPF aims to boost human capital by sustainably and equitably broadening access to healthcare, social assistance, and economic opportunities for women on the labor market. Human capital focused Program for Results (PforRs), such as the recent operation in Georgia, will help improve health and education outcomes.

59. The WBG will help enhance digital development, including by addressing demand-side barriers associated with literacy and affordability. Digital inclusion remains a major concern with 2.9 billion people still offline (over 50 percent of the population in low- and middle-income countries). With the growth of the data economy, it is important for countries to develop the physical infrastructure required to exchange, store and process data, as well as the regulatory framework to ensure that data is fully used to support economic and social development in a secure and safe manner.⁶ The digital agenda under Pillar 4 will also support activities under Pillar 2, which benefit from digital solutions such as financial market development or innovation and entrepreneurship.

⁶ During the pandemic, internet connectivity, where available, permitted on-line service delivery and remote work, while digital applications proved essential for both government and firms to continue operating during lockdowns and make critical financial transfers. As more and more activities moved online, data traffic in emerging markets increased by 25 to 50 percent during the pandemic, and the number of internet users increased by 800 million.

IV. KEY CONSIDERATIONS FOR WBG'S 15-MONTH OPERATIONAL RESPONSE

60. **As was the case during the COVID-19 response, the WBG's support will incorporate proven and evidence-based approaches to maximize development impact.** The WBG response over the 15 months from April 2022 to June 2023 will utilize a financing capacity of around \$170 billion with financing arrangements articulated in Section V. As the WBG implements this response, it will balance a number of objectives and optimize its financing, analytic, knowledge and advocacy tools as outlined below.

Combining Financing with Sound Analytics and Policy Advice

61. **Financial support from the WBG will be complemented by global, regional, and country analytical and advisory products.** While the financing needs of client countries necessitate a surge in WBG financing, an essential element of the crisis response will be to advocate for and support prudent policies that minimize market distortions, such as distortive trade restrictions, which have resulted from international trade and domestic market interventions, and non-targeted subsidies and price caps, that will have high fiscal costs. Combining financing with knowledge work allows the delivery of more integrated development solutions, in what can be called the “virtuous cycle of knowledge flows” (WBG 2021b). WBG’s advice and interventions will focus on helping countries minimize market distortions and highlighting the medium- and long-term costs of such measures (including the fiscal costs). The World Bank will continue to collect data, monitor, and analyze the impact of the multiple crises, and employ this to inform global, regional, and country policy responses and design of financing operations. Key global products include the upcoming 2022 Poverty and Shared Prosperity Report, Global Economic Prospects, the Commodity Markets Outlook, the Regional Economic Updates, thematic reports such as The State of Learning Poverty and the upcoming White Paper on the Financing of Energy Transition, as well as regular tracking of critical areas such as trade. The World Bank will also monitor and report on the policy responses and actions across priority areas, such as through the Vaccine Deployment Tracker, the Global Social Protection Response to Price Shocks, Global Gas Flaring Tracker Report, and the Bi-Weekly Food Security Update and the Early Warning for Early Action Food Security Hub. Country core diagnostics, such as Country Economic Memorandums, Poverty and Equity Assessments, Public Expenditure Reviews, and Country Private Sector Diagnostics (CPSDs) will inform country-specific crisis response. The World Bank will capitalize on new technology and build on the experience of bringing together data and analysis, to efficiently make use of and share data and analysis widely. Regional products such as an AFR White Paper on Education will provide data and analytics on education in SSA countries. The WBG also expects to deliver CCDRs for 22 additional countries in FY23.

62. **WBG support will continue to be provided using the country engagement model while also focusing on key GPGs.** The multi-faceted and evolving nature of the shocks, the imperative to maintain a focus on the long-term trajectory toward the twin goals, and the limited fiscal space for a forceful response in most countries calls for an approach that is tailored at the country level. At the same time, the WBG will continue making progress on the GPG agenda, which is critical to supporting long-term development. For example, interventions will continue to operationalize the Climate Change Action Plan 2021–2025 (WBG 2021a), integrating climate considerations with development needs—including to deliver at least 35 percent of climate co-benefits and to reach Paris Alignment of our operations. Low global inflation over the past decades was closely intertwined with the rules-based open trading system and the creation of the WTO in 1995: in the face of increased polarization and trade fragmentation, the WBG will remain a strong advocate for this nondiscriminatory global trading system, to promote effective allocation of resources and division of labor across the globe. Migration and refugee issues will be addressed for example through regional frameworks for responsibility sharing and country level solutions.

63. **The proposed framework will be guided by selectivity through the country engagement model.** Standard selectivity filters employed for each WBG Country Partnership Framework (CPF)⁷ will be used in applying the crisis response approach. Prioritization and sequencing of activities across the four pillars will be driven by client country needs, as the impacts of the crises vary widely across different countries. Learning and adaptation are critical elements for enhancing outcome orientation in country engagement: Performance and Learning Reviews (PLRs) as well as Completion and Learning Reviews (CLRs) will provide opportunities for country program adjustments. Selectivity criteria includes WBG comparative advantage, stemming from the powerful combination of country depth and global breadth, public and private sector instruments and relationships, multisector knowledge and practitioner expertise, and the ability to mobilize and leverage financing. These features underpin the WBG’s ability to accelerate transformative processes at the country level that can also have impact at the global level, thereby advancing the GPG agenda. For instance, during these crises, the WBG will have the opportunity to help countries set the course for agricultural policies that address the fundamental challenges for food insecurity; likewise, a repositioning of the current energy mix in many countries will be needed that overcomes the short-term supply bottlenecks while moving towards more sustainable energy. In addition, the WBG country engagement model factors in corporate priorities and approaches, such as this crises response framework, and as such will enable an increasing focus on programs geared towards green, resilient, and inclusive development, as outlined out in the WBG’s GRID approach.

⁷ Standard CPF selectivity filters are: Government demand, SCD identified High-Level Outcomes and Priorities, WBG comparative advantage (see [Country Engagement Guidance, effective July 1st, 2021](#)).

64. **IFC will use country strategies and a thematic approach in developing its operations.** IFC's business development and upstream approach will focus on sectors and areas identified through CPSDs. Additionally, aligned with IFC's strategy as outlined in the SBO, IFC will focus on thematic interventions, including through platforms, to take a more programmatic and long-term approach to addressing development challenges prevailing across client countries.

65. **Similarly, MIGA will leverage WBG country strategies and coordinate closely with its clients, host countries and development partners, including the World Bank and IFC, to implement and to refine its response to the multiple overlapping crises that the developing countries face.** As the impacts from these crises are increasing fragility and political risks across developing countries, MIGA's risk mitigation solutions are becoming even more important to crowd-in foreign investments. Its newly established trust funds—the Renewable Energy Trust Fund and the Fund for Advancing Sustainability—will serve as additional tools for MIGA's crises response.

Leveraging the range of operational instruments and policy flexibility for maximum impact

66. **The WBG will use its full range of financing products to support a continued crisis response in FY23.** For the Bank, this will include IPF, DPF, and PforR operations as needed, to address a range of challenges. For example, regional MPAs will be used alongside individual country operations to expedite operations related to food security and nutrition. Regional MPAs are deemed more suitable than a global MPA given the specific conditions and differentiated country impacts of the crisis, and, as detailed above, some regions are considering MPAs (notably in Africa and ECA) to expand on initial emergency responses and provide additional rapid support. MIGA will innovatively deploy its full set of products and instruments, coordinating with the Bank and IFC to ensure a One World Bank Group approach

67. **The Bank's operational response will make full use of operational flexibilities provided under the current suite of operational policies.** The Bank will use existing flexibilities in its operational policies to expedite processing, re-purpose undisbursed balances and supplement existing operations with additional financing where feasible. Utilizing the IPF instrument, new projects can apply provisions allowed under the IPF Policy to expedite processing with shorter review and approval lead times. Additional financing for ongoing operations can also be fast-tracked with the application of paragraph 12. Existing projects may also be restructured quickly to reallocate undisbursed amounts. Contingency Emergency Response Components (CERCs) are another critical tool for fast reallocation of funds within a project for emergency needs. Retroactive financing can also be used in line with the requirements of the IPF policy framework. Necessary due diligence will be undertaken to ensure eligibility of expenditures for retroactive financing, including compliance with fiduciary and E&S requirements. Retroactive financing involving procurement of food will be subject to higher levels of Management review and approval. For DPF, the Bank will deploy supplementals and crisis DPFs where needed, and guidance will be issued to support teams with these efforts.

68. **IDA20 includes measures to increase IDA countries' access to financing for crisis response.** As mentioned above, pre-arranged financing instruments such as CERCs and DPF with a Catastrophe Deferred Drawdown Option (CAT DDOs) have worked well to rapidly channel financing during COVID-19. To provide more flexibility in their use, IDA20 has increased caps for pre-allocated CERCs under the CRW and introduced a 25 percent CRW contribution to CAT DDO resources, halving the previously required country's contribution from 50 percent to 25 percent. IDA will leverage these tools to ensure that funding for the food crisis is mobilized quickly and to augment capacity for surge response.

Mobilizing private capital to maximize finance for development

69. **More robust private sector investment and public-private partnerships are vital for sustainable job creation and are necessary ingredients to reach development goals.** The WBG is working individually and as a Bank Group to help countries improve their business environment and develop constructive, transparent public-private interactions, with the goal of increasing internal and external investment in private sectors. To this end, we will use the full range of our analytical, advisory and financing tools as part of the WBG's crisis response. We have a particular focus on encouraging private sector activity for women and new entrants as a key aspect of inclusion and stronger economic growth. In 2017, the WBG adopted private capital mobilization (PCM) goals, jointly with other MDBs, as a way of quantifying the private capital investments associated with MDB official project-based capital flows. We are exploring additional avenues to build stronger private sectors and increase private sector engagement in developing countries, such as encouraging the liquidity of infrastructure assets, including climate-beneficial investments. The Bank's Treasury continues to support countries in the issuing of green bonds as well as CAT-bonds to address disaster risk.

70. **The WBG is working to strengthen the economic policy dialogue with governments on steps to enable the business environment and, when successful, provide more and larger development financing loans as part of our support.** New IFC mobilization platforms aim to expand mobilization in focus areas, such as sustainability, climate, and supporting capital market development, while increasing collaboration with key partners. For example, the Managed Co-Lending Portfolio Program (MCPP) One Planet is a \$3 billion cross-sectoral platform to build fully Paris-aligned loan portfolios in emerging markets, targeting existing institutional investors. IFC EM Sustainability Funds are two passive equity "tracker funds", one focused on private equity funds and one on direct equity investments in developing countries. The funds will target MDBs/DFIs that share IFC's development mandate. MIGA will continue to expand its guarantee issuance and, through its guarantees, scale up PCM by means of innovative applications of its instruments and in close coordination with the Bank and IFC leverage and expand the PCM toolkit. MIGA recently issued its first local currency non-honoring guarantee to support the District of Bogota to raise up to COP1 trillion (over \$250 million) for strengthening its medical response during the COVID-19 pandemic. MIGA is now working on several projects to expand its guarantee support in eligible local currencies. It is innovating to make its products

applicable in green bond markets and to raise capital from institutional investors. It is working on several new applications of its instruments to enhance its PCM in carbon markets, distributed energy, and green bonds, including in IDA and FCS countries.

Prioritizing development outcomes

71. **The current situation demands a flexible, adaptive results approach, given the fluid nature of the crises and the diversity of impacts across different countries.** As the context continues to evolve in unpredictable ways, the WBG's practice of placing development outcome risk at the center of its results approach is more relevant than ever. As countries are experiencing significant development reversals, the results of the WBG's crisis response support may take the form of halting backsliding before countries get back on track to achieve high level outcomes. While such results are critical to cushioning the impacts of the crises, capturing them may not be evident as standard approaches focus on incremental change over time. The Bank will apply a combination of quantitative and qualitative methods to capture the full story of the results achieved, including how support is preventing further backsliding. The Bank will also draw on its significant experience in designing and implementing evidence-based operations in FCV environments to inform its crisis response results approach.

72. **The WBG crisis framework will be outcome oriented, building on a select group of sentinel indicators to illustrate each pillar's result chain.** Drawing on data tracked through the WBG's Corporate Scorecards and IDA's Results Measurement System (RMS), these indicators will show how WBG inputs and activities help clients deliver tangible results that contribute to outcomes. Indicators will be tracked at different levels such as at the country outcome level that the WBG contributes to along with other development partners; these will be complemented with indicators of results achieved by country clients through WBG-supported operations and indicators that cover the WBG's operational performance and effectiveness. Many of these indicators will also measure progress in implementing the WBG's GRID approach. For example, under Pillar 2, indicators can demonstrate how the WBG's knowledge and financing will help countries reach more students to address learning losses, ensure that vulnerable women and children receive health and nutrition services, and get vaccines in arms. Over time, these results will contribute to important country-level development outcomes, such as incomes of people protected, and jobs preserved. The outcome framework will allow the WBG to aggregate and report on the results of its support for the crisis response.

73. **Outcome orientation also facilitates learning at the aggregate level, while building on customized results frameworks at the country and project levels.** Individual operations and country programs will include customized development objectives and indicators against which they will be evaluated. At a country level, country strategies are linking support to the high-level outcomes presented in this framework and progress will be reported through PLRs and CLRs. While support to each client country will be customized to critical needs, tracking progress through this outcome framework will facilitate real-time learning across operations and

adaptation to new knowledge and evidence. Drawing on these indicators and other evidence, including evaluative evidence produced by IEG, the WBG will take stock and report overall progress to the Board.

Risks and Challenges

74. **Operating in a crisis environment creates elevated risks for WBG’s programs; nevertheless, the risks of inaction would be far greater.** The proposed strategy is subject to numerous significant risks. First, *the uncertainty related to the continued war in Ukraine, the need to tighten monetary policy to address inflation, and its impact on economic recovery, create significant downside risks.* A longer crisis situation creates a greater propensity for *social and political unrest and new conflicts*, adding an additional layer on an already compounded crisis situation. There is also a real risk of countries pursuing *counterproductive short-term policies that will ultimately distort markets and exacerbate the current economic imbalances.* The Bank’s program will also be vulnerable to *growing polarization and fragmentation of the world* and near-shoring and friend-shoring of supply chains. Finally, there are always *risks of corruption and integrity.* The WBG aims to mitigate these risks, while acknowledging that some cannot be mitigated. Initial mitigation efforts the WBG can pursue during the crisis include: supporting host countries of refugees; helping to maintain public services in countries facing fragility and conflict; promoting open trade channels; and helping countries diversifying their supplier basis within the rules of the multilateral trading system.

V. FINANCING THE WBG RESPONSE

75. **The WBG is equipped to provide financial support over the 15-month period described in this response framework.** One of the greatest uncertainties is the duration of the current multiple crises. The length of the war in Ukraine, the likely additional shocks from natural disasters, the unknown compounding effects of multiple crisis and the withdrawing of fiscal and monetary stimuli, are creating major uncertainties for countries. These also create challenges for WBG finances, which will be strained by another 15 months of crisis response.

A 15-month \$170 billion response

76. **As articulated in the “Roadmap” paper, the WBG intends to make available around \$170 billion surge financing over the period April 2022-June 2023 (Table 1).** The Bank will provide surge financing in FY23 by utilizing the existing frontloading policy framework within IDA and mobilizing the additional crisis buffer for IBRD (subject to Board approval), both within the agreed IDA20 financial framework and in compliance with IBRD’s Financial Sustainability Framework (World Bank 2022g) respectively.⁸ Countries will also be encouraged to continue

⁸ IBRD crisis buffer support will depend on Executive Directors’ approval of the IBRD’s Financial Sustainability Framework (World Bank 2022i).

redirecting resources if effective, through reprioritization of portfolio projects, to free additional resources that can be recommitted to support priority areas. IFC’s recent capital increase will help support its FY23 surge in short- and long-term financing (including mobilization), leveraging IFC’s increased toolbox of financial, advisory, upstream solutions and complementary innovations to deliver to clients. IFC’s portfolio approach provides IFC with the added opportunity to consider its full portfolio as a means of maximizing outcomes in a sustainable manner while addressing the varied prevailing and emerging development challenges across emerging markets. MIGA’s balance sheet continues to have capacity to grow and to support MIGA’s crisis response program. MIGA’s ability to reinsure its risk exposure has been at the core of MIGA’s capital management strategy.

77. **The \$93 billion IDA20 financing envelope gives IDA room to increase financing for its crisis response through country allocations and IDA Windows.** Drawing on this envelope and the existing IDA policy framework, IDA will support surge financing of up to \$36.2 billion, delivering over a third of the IDA20 envelope in FY23.⁹ Countries will be encouraged to frontload some of their country allocations (in general up to 30 percent of allocations from FY24), if needed. This approach, coupled with IDA’s ability to reallocate resources across countries during the IDA cycle, will enable IDA to support crisis response, while helping countries stay the course on long-term development priorities. The envisaged frontloading of resources into FY23 is permitted under IDA policies and it will not trigger a request for supplemental financing or an advanced IDA replenishment. It will entail a slightly reduced country allocations envelope for the rest of IDA20.

Table 1: Composition of WBG Surge Financing, April 2022-June 2023, \$ billion

	FY22Q4	FY23	Total
<i>IDA</i>	17.6	36.2	53.8
<i>IBRD</i>	14.5	36.5	51.0
<i>Trust Funds</i>	3.9	6.0	9.9
World Bank	36.0	78.7	114.7
IFC	14.0	35.0	49.0
MIGA	2.6	6.0	8.6
WBG	52.6	119.7	172.3

Note: Additional capacity, for example, through bilateral guarantees and additional cancellations is not factored into the above.

Source: World Bank staff

⁹ Does not take into consideration PSW commitments and additional recommitments. IDA commitments for FY23 include \$1.2 billion of IDA19 funding from cancellations and recommitments which is expected to be committed in FY23.

78. Over two-thirds of IDA20 will be provided directly to countries as country allocations.

The remainder are resources from IDA windows, which complement country allocations and address thematic issues and priorities.¹⁰ IDA’s support for crisis response efforts during IDA20 will deliver on a range of policy commitments, stronger incentives for crisis preparedness, and robust analytics. The Early Response Financing (ERF) from IDA’s Crisis Response Window (CRW) can complement IDA country allocation resources with up to \$1 billion to support the food and nutrition security response in IDA countries in FY23.¹¹ The IDA20 replenishment increased the CRW allocation to \$3.3 billion (from \$2.5 billion in IDA19). IDA can mobilize ERF funding through existing projects or via the expedited development of new projects, including via emergency procedures. Based on current developments, discussions with country teams and external food and nutrition security experts indicate ERF support may soon be needed for several countries.¹²

79. New enhancements to IDA’s crisis response toolkit will help scale up support to affected countries.

Given the urgency of the needed response, CRW-financed activities under the WBG’s response will leverage new and existing flexibilities embedded in the CRW framework, such as expedited and streamlined processing, including batch processing of CRW eligibility assessment, to maximize efficiency. The economic fallout of the war is expected to result in an elevated demand for CRW last resort resources over the remaining IDA20 cycle and, as such, there may be scope to complement ERF resources. Should resourcing beyond food security be required in the short term to help IDA countries grapple with the economic effects of the crisis, additional funds are available from the last resort arm of the CRW. The IDA20 Mid-Term Review (MTR) will provide an opportunity to take stock of resource utilization and needs, including for CRW.

80. IBRD is expected to lend up to \$36.5 billion in FY23, if the Board approves an additional crisis buffer for FY23 of \$5 billion (along with carryover of any unutilized crisis buffer from FY22—estimated to be \$4.5 billion).

This level ensures a continued strong response from IBRD after the high lending levels of FY21–22. The proximity of the IBRD equity-to-loan ratio to the 20 percent policy limit, and the need to withstand plausible downside scenarios, constrains the amount of surge financing available through IBRD. As detailed in the FSF paper, augmenting the FY23 crisis buffer beyond \$5 billion would strengthen the FY23 envelope, but at

¹⁰ Country allocations consist of the Performance Based Allocations (PBA) system which remains the centerpiece of resource allocations and the FCV envelope allocations.

¹¹ The ERF offers up to \$50 million per country per IDA cycle on IDA country terms. To access the ERF, IDA countries must meet specific eligibility requirements. For food security crises, an eligible event is identified by crossing a globally established quantitative threshold, i.e., “trigger-based activation”, or by utilizing country-level quantitative and qualitative evidence, i.e., “local activation” reviewed and confirmed by a technical expert group on food security.

¹² \$1 billion of IDA20 CRW resources are reserved for ERF, with no pre-set allocation between disease outbreaks and food insecurity. However, while the ERF is meant to cater to both food insecurity and disease outbreaks, it is expected that near-term ERF demand will be mainly for food insecurity.

the cost of lending capacity beyond FY23—thereby weakening the Bank’s ability to sustain its crisis response capacity for FY24 and beyond given the potential for these crises to be protracted, and support the Bank’s financing to the GRID agenda (World Bank 2022i).

81. **The WBG will deploy all its financing options to support the crisis response, including through a range of trust Funds.** Through several trust funds, development partners will be key in making additional financing available to help client countries. This includes trust fund financing to support refugees and host communities for the Ukraine crisis. The World Bank managed Health Emergency Preparedness and Response Trust Fund Umbrella Program (HEPR Program) has played a key role in building evidence, convening stakeholders, and co-financing World Bank projects to support pandemic preparedness. The Umbrella Food Systems 2030 Trust Fund serves as a platform to support evidence, analytics, and innovations to support longer-term resilience of food systems. Similarly, a number of existing as well as under development IFC Trust Funds, such as the Facility for Investment Climate Advisory Services (FIAS) and the Africa Fragility Initiative (AFI), are able to support advisory and upstream engagement across key countries, including FCV markets, with the intent of enabling the scaling private sector activity in these markets. These and other available funds will enable the upstream and advisory engagements for FY23, targeted in large part to crises response and development of a long-term sustainable private sector and will complement IFC’s anticipated short- and long-term financing solutions for clients. In addition, IFC will be reviewing key trust funds relevant for Ukraine and impacted countries to see if they can be re-purposed for crisis response and will be looking to donors for additional support in the form of first loss and blended finance. MIGA has established the MIGA Strategic Priorities Program as a common framework under which it will administer all of its trust funds. Two of these will prioritize support for MIGA’s work in providing sustainable projects, including in renewable energy in the most challenging markets. In addition, MIGA is working to use trust funds in its efforts to provide support to Ukraine and is discussing with donors how their existing and additional financing could be effectively structured to maximize impact.

Considerations for a sustained longer-term response

82. **Further sustaining such surge financing will be challenging.** Compounding crises are demanding a sustained and unexpected high-level of client support. WBG finances will be strained by this 15-month response, since the 2018 capital package was sized to contend with one crisis every decade—not to respond to two large scale simultaneous crises plus an accelerating climate crisis. Increased financing for this crisis will affect the WBG’s ability to respond effectively to a major new crisis, or to provide additional support to help clients recover lost ground in their efforts to achieve their long-term development objectives including the climate agenda.

83. **There may be constraints on IDA’s financial capacity to provide robust client support in the outer years of IDA20 should a future crisis materialize.** As a result, the trade-offs of using

more resources in FY23 and having less for FY24–25 will be well communicated to IDA clients. Per the usual engagement process, IDA will utilize consultations at the IDA20 Mid Term Review, to take stock of IDA20 implementation and delivery. Existing mechanisms such as the reallocations process will continue to offer management flexibility to direct resources where they are most effective. In addition, efforts will be undertaken to encourage countries to redirect resources from underutilized projects to areas of priority.

84. **IBRD lending capacity will continue to be informed by FSF.** The current surge financing planned for FY23 implies a lending level of \$27 billion (in FY23 dollar terms) for FY24 and beyond. The additional crisis buffer proposed for FY23 would bring the total buffer made available by IBRD to respond to the current crises to \$20 billion over FY21–23. This level of financing restricts IBRD’s ability to provide any additional crisis response at a similar magnitude over the next few years. While the high levels of financing provided over the last 2 years (and planned for FY23) have limited IBRD’s regular financing levels at \$27 billion, the annual FSF engagement affords the opportunity to revisit borrower needs and demand for the following fiscal year. IBRD’s crisis response ability beyond FY23 can be further strengthened via increased bilateral guarantees from highly rated donors as well as continued focus on portfolio management measures, with timely subscriptions to the 2018 capital increase further strengthening IBRD’s ability to lean forward in a prudent manner in the face of increasing risks.

85. **IFC has sufficient capital at present given the capital increase and the strong performance of IFC’s equity book over the past 18 months.** IFC will use this to lean in and support its crisis response and will ensure proper management to ensure its longer-term objectives as outlined in the capital increase are met. IFC will respond to the multiple crises across client countries by providing a range of financing solutions, including debt, equity and guarantees, to meet client needs. As such, IFC will continue to monitor its commitments, overall portfolio and performance against available capital, scaling operations in line with strategic priorities of the WBG in support of long-term sustainable private sector operations. Beyond FY23, MIGA expects to have the necessary capital to continue to address country and client needs to sustain a longer-term response to the crises, while continuing to actively monitor and engage to mitigate emerging risks in its portfolio to the extent possible.

86. **The proposed surge financing will help the WBG to continue to lean forward at a time when global liquidity is tightening, and depleted country buffers reduce countries’ ability to mount effective responses to the crises.** Country demand is expected to remain strong in FY23. Client countries can be supported by the WBG to help finance their critical short-term crisis response needs while working with them as they stay the course on longer-term development objectives. There are many synergies between the short- and the long-term as is evident from the interconnections between the four pillars in this crisis response framework. The premium on early action—to enable fast responses that mitigate risks of long-term scarring and to provide support that avoids policies that have counterproductive effects—underpins the recommendation for surge financing. This surge financing will also partially ease the trade-offs

in country lending programs between, for instance, the food and nutrition security response (over \$12 billion planned), the continued focus on COVID-19 vaccination, and the expected continued emphasis on climate co-benefits (35 percent of the \$170 billion envelope will translate into some \$60 billion of climate co-benefits).

VI. BUILDING A COALITION FOR RESPONSE

87. **Responding to the multiple, overlapping, compounding crises requires a strong coalition of countries, the private sector, and international institutions.** Countries are at the center of the Bank's response. Strong collaboration between development partners, particularly through country platforms, will be essential to mount an effective response to these multiple crises. The WBG will foster regional and global engagement, collaboration, sound policy coordination, and mobilization of public and private resources for a large-scale crisis response. Building on respective global expertise and countries' needs, specific country collaboration will be coordinated with relevant international financial institutions and agencies. Collaboration will need to prioritize both project implementation, advocacy, and consistent messages on policy responses. The WBG will continue to collaborate with the IMF and key UN and humanitarian agencies at international and national levels as it implements its crisis response. Close dialogue with WTO will continue to contribute to maintain open trade. This strong coalition was impressively displayed during the recent IDA20 replenishment, where donor countries, borrower representatives, and others were convened by the World Bank to negotiate an impressive package of financing and support for the next three years.

88. **The WBG is working with IFIs, UN agencies, governments, as it implements its crisis response:**

- The Global Alliance for Food Security (GAFS), jointly convened by the World Bank and the G7 Presidency to catalyze an agile, immediate, and coordinated response to the unfolding global food security crisis, was launched at the G7 Development Ministers meeting on May 18, 2022, in Berlin. The new global alliance will bring countries and institutions together to support and leverage existing structures, mechanisms, and programs to respond to the surge in food prices.¹³
- The WBG is part of the International Financial Institutions (IFI) Action Plan to Address Food Security. This plan includes \$30 billion in WBG financial support to address food insecurity (WBG 2022d).
- The WBG will coordinate with the African Development Bank as it implements its African Emergency Food Production Facility (AEFPF), announced in May 2022.
- The Bank is also coordinating with the European Union (EU) on direct support to Ukraine, and to neighboring countries (and beyond), as the EU deploys financial and technical support through its various instruments.

¹³ See: [Joint Statement \(May 9th, 2022\) of G7 Presidency, World Bank Group Establish Global Alliance for Food Security to Catalyze Response to Food Crisis.](#)

- The WBG is a member of the UN’s newly launched Steering Committee for Global Crisis Response Group (GCRG) on Food, Energy and Finance, and is actively taking part in the committee’s three interconnected workstreams on Finance, Energy and Food.

89. **Financial Intermediary Funds (FIFs) are playing an important role in supporting crisis preparedness and the provision of GPGs.** FIFs are supporting the prevention of communicable diseases, responding to climate change, and addressing food security. Established as multilateral financial mechanisms that support global development initiatives or partnerships, FIFs complement IBRD/IDA by facilitating collective action across development partners and providing concessional resources for crisis preparedness and GPGs. Strong donor support has been critical in enabling and positioning FIFs to respond to the multiple crises, particularly in the areas of supporting refugees and internally displaced peoples, pandemic response and preparedness, and agriculture and food security. The World Bank currently hosts the Global Agriculture and Food Security Program (GAFSP), an existing FIF established during the 2009 food crisis dedicated to improving food security in low-income countries, which could be replenished to help fund the response to the current global food crisis. The Consultative Group on International Agricultural Research (CGIAR), a global research partnership in which the World Bank plays a catalytic role, promotes a sustainable and climate-resilient future. The Global Concessional Financing Facility (GCFF), established in 2016 and hosted by the World Bank, supports middle income countries impacted by the influx of refugees through the provision of concessional financing and improved coordination for development projects addressing the impact of the influx of refugees. A new Pandemic Prevention, Preparedness and Response (PPR) FIF is currently conceived to allocate financing within the PPR scope where investments are most urgently needed plugging key capacity gaps at all levels.

VII. CONCLUSIONS

90. **Multiple, ongoing crises since 2020 have the potential to undo decades of development gains. The WBG is stepping up once again to help countries weather this storm.** The WBG will make available around \$170 billion in financial support over the 15-month period from April 2022 through June 2023, informing financing operations with timely and relevant analytical work, while using data and analysis to advocate for prudent policy choices. The WBG crisis response, formulated in a four-pillar approach, maintains the GRID approach at the center of crisis response while prioritizing interventions that protect the most vulnerable from undesirable and negative impacts of these multiple crises. The WBG will evaluate progress on this crisis response effort at the end of FY23 to inform and recalibrate its strategy going forward. Results will be measured by utilizing a selection of indicators from the WBG’s Corporate Scorecards and IDA’s Results Measurement System. Operational commitments will be tracked by pillars and regularly reported.

ANNEX 1: Q4 FY22 OPERATIONAL RESPONSE

IBRD and IDA delivered the Q4 FY22 support level as envisaged in the “Roadmap” paper, with commitments expected to be \$32.1 billion. IDA committed \$17.6 billion, including \$1 billion in exceptional support to Ukraine. IBRD committed about \$14.5 billion in FY22 Q4. Together, lending operations and analytical work during Q4 fit well within the objectives outlined in the “Roadmap” paper and are broadly aligned with the four pillars outlined above. Financing initiatives have been complemented by timely analytical and advisory work.

In Ukraine, the Bank is continuing its support for relief, recovery, and reconstruction, as outlined in the Approach paper for Ukraine (Annex 3). The Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine IPF, (approved by the Board on June 1, 2022 for \$1 billion equivalent exceptional IDA on non-concessional terms, \$492 million equivalent IBRD), aims to sustain civil service capacity to exercise core government functions at the national and regional levels, and will provide an important vehicle for the Bank to support Ukraine in 2022. Trust Funds have been mobilized to increase financial support for Ukraine. For countries dealing with a large influx of refugees, the Bank has been mobilizing global expertise to support refugees and their host communities. DPF operations will support a range of country policy responses, alleviate impacts from the broader spillovers of the war such as on energy prices and remittances, and advance institutional reforms. For example, the proposed **Moldova** DPF (approved by the Board on June 2, 2022 for \$43 million equivalent IBRD, \$107 million equivalent IDA credit plus \$9 million from the Global Concessional Financing Facility) includes measures to support refugees and households.

In other parts of the developing world, notably in countries that are experiencing significant shortages in food availability, Bank projects provided short term support to address supply and demand side constraints. Bank support is addressing a range of temporary market failures that have resulted in a spike in food prices. The Africa food resilience MPA will help expedite projects that address all aspects of the food and nutrition crisis. In some exceptional circumstances, for example in MENA, a region that relies heavily on wheat imports from Russia and Ukraine, operations addressed supply side disruptions and their impact on the availability of food grains. An emergency response operation for **Lebanon** was approved by the Board on May 6, 2022. In other countries, social protection operations will help safeguard the affordability of food for the poorest. For example, the **Niger** Adaptive Social Safety Net project strengthens the social protection delivery system to enhance its ability to respond to climate, conflict, and other shocks.

The COVID-19 pandemic health response remained a priority, as did the focus on medium term priorities such as climate change. \$10.1 billion was committed in 78 countries for fully or partially financing vaccine purchases and deployment and 617 million doses were purchased. In FY22, the WB committed \$36 billion in climate financing (which projected to achieving 37 percent in climate co-benefits across the portfolio). 90 percent of FY22 financing operations

helped close gender gaps; and \$4.7 billion of private capital was mobilized. To advance the implementation of the Climate Change Action Plan (2021-2025), the WBG launched the CCDR, an analytical product that will support countries as they define, update, and implement NDCs and identify ways to reduce Greenhouse Gas emissions and strengthen adaptation and resilience while supporting broader development goals. The WBG expects to deliver 25 CCDRs ahead of the November 2022 COP27 meeting in Egypt.

The Bank prepared a range of analytical and advisory reports to inform policy actions in the faces of multiple crises and highlighting the shortcomings of counter-productive policies. *The Impact of the War in Ukraine on Global Trade and Investment* analyzes how different countries may be impacted and the five channels by which economic shock waves may hit countries. To better inform policy responses for businesses and households and individuals impacted by the COVID pandemic, the World Bank has introduced high-frequency monitoring of businesses through the Business Pulse Survey dashboard in 79 countries and of households and individuals through COVID-19 Household Monitoring Dashboard covering 83 countries. Another report tracked policy responses across all countries to the food price crisis, highlighting that many countries chose to use untargeted food and fuel subsidies to mitigate against the steep increase in prices of these commodities. The “Act Now” Report (World Bank 2022d) provides a comprehensive update of the impact of the pandemic on the (pre-tertiary) education sector in Latin America region and proposes an agenda for action. The report is co-authored with the United Nations International Children's Emergency Fund (UNICEF) and undertaken in collaboration with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The June 2022 Global Economic Prospects (GEP), the Bank's flagship report on macro-economic outcomes, provides critical input on the trade-offs between macro-fiscal and debt management as a response to multiple crises (World Bank 2022f).

IFC committed \$14 billion in financing to support clients across developing countries. In Q4 FY22, IFC has continued to focus on short term finance, an area that has seen strong demand since the onset of COVID-19. In addition, IFC has focused on supporting clients through long term finance, with continued emphasis on mobilizing financing to encourage capital flows into emerging markets. Strong demand has been seen across regions, in particular Africa and the Middle East, and in the Manufacturing, Agribusiness and Services sectors. Specific to Ukraine and focusing on critical industries, IFC has provided working capital to its long-standing clients in Ukraine and kept trade lines open for strategic supplies. Disbursements have, for example, enabled continued access to automotive fuel imports from Europe. IFC has also cooperated with one of Ukraine's leading agricultural producers to facilitate spring planting and procure grains to assist in alleviating food and nutrition security concerns in the country. A recently approved non-guaranteed trade finance facility is supporting the import of critical goods, such as medicines and other staples. The facility is being further expanded, in an effort to leverage the new IFC-MIGA trade platform.

MIGA provided \$2.6 billion in guarantees in Q4 FY22. Notable operations include credit enhancement and PRI guarantees to mitigate against economic impacts of the COVID-19 crisis and to build sustainable and climate-smart infrastructure, including clean power, and toll roads projects. MIGA is also issuing PRI guarantees to support foreign direct investments into manufacturing, agribusiness, and service sectors. In a recent and notable project, MIGA partnered with EBRD to enable the issuance of a green bond in the renewable energy sector in Egypt, which attracted private capital from global institutional investors. This scalable and innovative bond structure supports private sector projects in raising capital on competitive terms by achieving a bond rating that is higher than the sovereign ceilings of the host countries. In addition, MIGA continued to actively crowd in the private reinsurance market to leverage its own financial capacity.

ANNEX 2: LESSONS LEARNED FROM WBG RESPONSE TO FOOD PRICE CRISIS

This Annex summarizes key lessons and insights from the WBG's response to the 2008 Food Price Crisis (FPC). The WBG set up a rapid financing facility, the Global Food Price Crisis Program (GFRP 2012), a central part of the Bank's support to countries affected by the FPC. The GFRP was operational between 2008-2012. It was instrumental in providing rapid assistance to the poor and vulnerable, while increasing the Bank's leadership role in the food and nutrition security arena. The 2008 food price crisis provided useful lessons:

- i) *Inward-looking policies such as grain export restrictions are counter-productive when many countries adopt them at the same time.* Ultimately these measures accelerate price spikes and shift the full burden of adjustment to higher prices to those countries that do not or cannot isolate their economies, typically poorer countries.
- ii) *Inward-looking policies in response to food and fertilizer price spikes were implemented at lasting cost to the countries concerned and often to their neighbors.* Many countries who isolated themselves in 2008 had lower growth as a result and failed to register significant supply response to the higher prices.
- iii) *Despite the harm done to countries themselves and their trading partners by inward-looking policies, explicit conditionality to change them is neither feasible nor desirable under emergency conditions.* Instead, the WBG should work with clients to assess the impacts of these policies and less harmful alternatives to achieve their immediate needs while preserving progress towards their long-term development objectives
- iv) *Short-term emergency responses need to remain aligned with needed medium term adaptations to higher prices and longer-term development goals.* Short-term response should favor nutritious diets and local food supply response by maintaining incentives to producers and access to productive inputs, while doing so in sustainable ways.
- v) *Whole regional value chain approaches are more effective at building resilience in food and nutrition security.* Given large investment needs, using whole, often regional value chain and community outreach approaches for agricultural interventions has been shown to be important to achieving lasting impacts.
- vi) *Partnerships and coordination are key to effective food and nutrition security responses.* Since 2008, the World Bank Group has developed and refined a number of procedures and modalities to streamline direct financing of UN agency interventions for humanitarian purposes, such as WFP procurement and distribution of food, where circumstances warrant, and clients agree.
- vii) *Coordinated institutional approaches are especially valuable in dealing with sudden-onset components of global food price crises.* They enhance speed, cross-country consistency, coordination of inter-departmental efforts, collaboration, and foster additionality in resource mobilization.

A 2013 IEG Review of the FPC (IEG 2013) also reviewed the Bank's response to this crisis and examined whether it was effective in addressing short term impacts and enhancing countries' resilience to future shocks. It found that about half of the GFRP's Bank-sourced resources went

to 4 large countries—Bangladesh, Ethiopia, the Philippines, and Tanzania—funded through their IDA and IBRD country envelopes, while 31 countries received small amounts of assistance, in part because of limited availability of GFRP funds. The review offered the following lessons for future global food price crises: (i) While a detailed strategic framework is necessary to underpin the Bank’s response, it is often not sufficient, especially if there is a disconnect between the intent of policy prescriptions in the framework and what is actually implemented in short term, fast track operations; (ii) enhanced administrative resources and internal collaboration are essential for the planned expanded scale of operations; (iii) the effectiveness of increased lending depends critically on adequate analytical work and staffing; and (iv) a cautious approach is warranted in considering tax and tariff reductions in a crisis response, to balance price effects with implications for fiscal stress. The Evaluation included useful recommendations for future food crises, including the need to ensure adequate administrative budgets; quality assurance procedures, better targeting of the vulnerable population, and practical mechanisms to monitor nutrition and welfare outcomes.

ANNEX 3: THE WBG'S SUPPORT TO UKRAINE

The people of Ukraine are paying an enormous price as the impact of the war in their country becomes clearer. Depending on the course of the war and of Ukraine's economy, poverty could well rise to almost 60 percent of the population by 2023. The physical damage to buildings and infrastructure is devastating and the economic needs are enormous. The WBG approach to revive Ukraine's economy includes critical immediate actions to provide the foundation for regaining incomes and reducing poverty in the short-term, while identifying priorities to support resilient, inclusive recovery and reconstruction in the medium- to long-term. Specifically (WBG 2022e):

- *During the war (Relief Phase), the priority is to preserve as much of economic capability as possible:* (1) Maintaining macro-financial management and the functioning of government; (2) Protecting the population under severe socio-economic stress; (3) Restoring essential infrastructure services; and (4) Preserving productive economic capacity (physical and human capital) as much as is feasible.
- *Immediately after the war (Recovery Phase), emergency measures will be phased down as the economy stabilizes for a rebound:* (1) Addressing currency weakness, inflation and macro-financial stability challenges; (2) Restoring the ability of private businesses to resume normal functioning, including through market-based access to credit and foreign exchange; (3) Strengthening fiduciary processes to manage large inflows of resources for optimal use; (4) Reconnecting citizens to public social services; and (5) Restoring critical infrastructure and planning for physical infrastructure repair, restoration and reconstruction.
- *Over the medium- to long-term, Ukraine will have to build a forward-looking and sustainable society (Resilient Reconstruction Phase).* This will require a fundamental, forward-looking rebuild of not just housing and infrastructure, but also economic and regulatory institutions that enable building a dynamic economy. While the details for reconstruction remain to be determined, critical directions for this phase will include: (1) Maintaining macro-financial stability; (2) Stimulating growth of a dynamic, outward-oriented, technologically sophisticated private sector; (3) Rebuilding public social services to deepen human capital and provide dynamic protection to the most vulnerable; and (4) Building financially, environmentally, and socially sustainable infrastructure.

Substantial resources will be required to support Ukraine over these three phases. In the short-term, significant resources are needed to maintain the Ukrainian state's capacity to govern and to provide services to the people, to preserve and protect Ukraine's national income through conserving the productive capacity (and to the extent possible, restoring the export capability) of the economy, and to restore and rehabilitate Ukrainians' personal incomes and opportunities. With very limited domestic fiscal resources and alternative financing options currently available, there is a strong justification for rapid and large-scale transfer of resources from abroad. The resources of Ukraine's external partners are best placed to help finance and

augment Ukraine's own budget-financed programs. Given the high risk and uncertainty, external financing is also needed to de-risk and to scale-up domestic and foreign private investment.

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