Prevention, Preparedness, and Response: The WBG’s Role in Future Crises

Attached is the document titled “Prevention, Preparedness, and Response: The WBG’s Role in Future Crises” prepared by the World Bank Group for the October 15, 2021 Development Committee Meeting.
Prevention, Preparedness, and Response
The WBG’s Role in Future Crises

Development Committee

October 2021
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Abbreviations

AVATT  Africa Vaccine Acquisition Task Team
Catastrophe DDO  Catastrophe Deferred Drawdown Option
CCDR  Country Climate and Development Report
CERC  Contingent Emergency Response Component
CF  Common Framework
CPF  Country Partnership Framework
CPSD  Country Private Sector Diagnostics
CRW  Crisis Response Window
DDO  Deferred Drawdown Option
DPF  Development Policy Financing
DSA  Debt Sustainability Analysis
DRM  Disaster Risk Management
DSSI  Debt Service Suspension Initiative
EMDEs  Emerging Market and Developing Economies
EP&R  Emergency Preparedness and Response
FCS  Fragile and Conflict-Affected Situations
FSAP  Financial Sector Assessment Program
FTCF  Fast-Track COVID-19 Facility
G20  Group of Twenty
GRAF  Global Risk Assessment Framework
GRID  Green, Resilient, and Inclusive Development
HEPR  Health Emergency Preparedness and Response Trust Fund
IBRD  International Bank for Reconstruction and Development
IDA  International Development Association
IEG  Independent Evaluation Group
IFC  International Finance Corporation
IMF  International Monetary Fund
IPF  Investment Project Financing
LICs  Low-Income Countries
LMICs  Low- and Middle-Income Countries
MERS  Middle East Respiratory Syndrome
MIGA  Multilateral Investment Guarantee Agency
PCM  private capital mobilization
PforR  Program-for-Results financing
PSW  Private Sector Window
SARS  Severe Acute Respiratory Syndrome
SCD  Systematic Country Diagnostic
SDFP  Sustainable Development Finance Policy
SIDs  Small Island Developing states
UNDRR  United Nations Office for Disaster Risk Reduction
VRAF  Vaccine Readiness Assessment Framework
WBG  World Bank Group
WHO  World Health Organization
WTO  World Trade Organization
Prevention, Preparedness, and Response—The WBG’s Role in Future Crises

The COVID-19 pandemic, the prospect of increasingly frequent extreme weather events, and elevated financial vulnerabilities all highlight the dangers of either localized crises or global shocks. These events inflict large human and economic losses in emerging market and developing economies. Preventing crises, being prepared for them and fostering a durable recovery require a long-term Green, Resilient and Inclusive Development approach.

The experience during past crises offers valuable lessons for the future: (i) investing in prevention and preparedness is critical; (ii) strong and well-coordinated public institutions, robust digital infrastructure, ample fiscal space, and well-functioning insurance mechanisms all play significant roles in prevention, preparedness for, and response to crises; (iii) monitoring and precautionary measures help prevent crises; (iv) some response measures are specific to the type of crisis; (v) enabling mechanisms to support the private sector during crises are key to maintaining economic activity; and (vi) global and regional policy coordination is critical in helping countries deal with crises.

Given the interactions between development, crises and reconstruction, the World Bank Group (WBG) is uniquely positioned to play a central role in crisis prevention, preparedness and response. The WBG’s unprecedented response to the current crisis illustrates its comparative advantage among international institutions: multi-sector approaches to policies, programs and projects; country-level presence combined with global experience; combination of knowledge, financing and convening power to foster partnerships; the ability to work with both public and private sectors; and operational agility due to unearmarked funding and country-driven allocations.

Building on its unprecedented response to the COVID-19 pandemic and utilizing the lessons learned from past crises, the WBG will scale up its support to countries for managing future crises with a comprehensive, proactive and flexible approach that combines ex ante risk reduction and preparedness measures with ex post responses. This support will include: a calibrated approach in its financing operations across crisis prevention, preparedness, and response and broader development objectives; flexible, rapid and front-loaded financing for the most vulnerable countries and populations; improved monitoring of health, natural, financial and other risks; and broad within-country and global coordination through stronger partnerships.

I. The Inevitability of Crises

1. The World Bank Group (WBG) met the once-in-a-century crisis caused by the COVID-19 pandemic with an extraordinary response that underscores its role in helping countries prevent, prepare for, and respond to future crises. Leveraging lessons from its past engagements in crises, the WBG is tackling the pandemic by providing the largest and fastest emergency financing response in its history, developing rapid, flexible financing facilities to support crisis-impaired activities involving both social programs and private enterprise, helping countries acquire and deploy vaccines; supporting the private sector to preserve jobs and rebuild markets; and working closely with global, regional, and national partners to support poor and vulnerable people. The WBG’s history of comprehensive crisis support includes both robust ex post crisis response as well as ex ante crisis prevention and preparedness, such as strengthening health systems, building social protection systems, strengthening disaster risk management, improving debt management, and building sustainable private sector solutions. The WBG’s
traditional focus on long-term capacity building and development policies aims to increase the ability both to avert and manage crises. As in previous crises, notably the Indian Ocean tsunami in 2004 and the global financial crisis in 2009, the WBG’s crisis response is designed to suit government capacity and country circumstances, while also supporting the private sector. As in every previous crisis, WBG staff continue to build experience on making crises less frequent and crisis management even more effective—quicker, better tailored, and less costly.

2. The need for crisis preparation has never been greater. The COVID-19 pandemic, the prospect of increasingly frequent extreme weather events (such as floods, storms and droughts), and elevated financial vulnerabilities all highlight the danger of either localized crises or global shocks like the 2009 global financial crisis (IPCC 2021). These events inflict large human and economic losses in emerging market and developing economies (EMDEs), often reversing development gains already made. Moreover, crises can take place simultaneously, compounding their effects. The pandemic also highlighted important lessons for the global community, including the high returns to investing in crisis prevention and preparedness, monitoring and surveillance, and global partnerships. With its country-level presence combined with global experience; multi-sector approaches to development policies and programs; combination of knowledge, financing and convening power to foster partnerships; the ability to work both with governments and the private sector; and agility due to unearmarked funding and country-driven allocations; the WBG is uniquely positioned to support governments in addressing crises.

3. Preventing crises, being prepared for them and fostering a durable recovery together constitute a difficult—and permanent—policy challenge that requires a long-term Green, Resilient and Inclusive Development (GRID) approach. When confronted with protracted crises such as the COVID-19 pandemic, a proactive and sustained response is necessary to mitigate human, social and economic costs. Once the initial crisis phase has passed, financing and policy support are needed to spur actions to accelerate green, resilient, and inclusive recoveries via long-term development efforts. These efforts foster physical, human, social and natural capital and facilitate economic transformations, and are discussed in the companion Development Committee paper “WBG Financing for Green, Resilient and Inclusive Development: Towards a Post-Pandemic Approach.” They encompass growth-enhancing upstream reforms and supporting private sector activities—both in existing and by the creation of new markets.

4. The ability of EMDEs—particularly International Development Association (IDA) economies, countries in fragile and conflict-affected situations (FCS) and small island developing states (SIDs)—to prevent, prepare for and respond to crises is limited. Compared to advanced economies, fiscal support packages as a share of GDP announced in EMDEs in response to the pandemic were only one-fourth as large (World Bank 2021a). IDA countries, where this share was markedly smaller, tend to be especially vulnerable to crises because of limited fiscal resources and weak institutions. Among them, SIDs are particularly vulnerable to natural disasters.

5. This paper outlines how the WBG will build on its unprecedented response to the pandemic and lessons learned from past experience to support client countries in managing future crises. To improve development outcomes, the WBG will continue to calibrate its approach to crisis prevention, preparedness, and response and long-term development needs to country circumstances. This means supporting client countries to build resilient systems that reduce the likelihood of crises and respond flexibly and effectively, that can draw on fiscal space created during normal times when crises occur, and that leverage public resources with private sector
solutions and financing. It also means that the WBG continues to strengthen global partnerships, improve country policies, and provide well-tailored operational support for both long-term development efforts and robust crisis responses. Previous natural, financial and health crises and the current pandemic have highlighted the benefits of a rapid, flexible, and front-loaded WBG response, and this experience will be readily drawn upon in future crises.

6. **The three broad categories of crises covered in this paper—health crises, natural disasters, and financial crises—are not intended to be exhaustive.** EMDEs are also susceptible to many other types of shocks, including food, cybersecurity, political, humanitarian, and refugee crises, some of which are caused or exacerbated by conflict. These crises can be particularly pervasive in low-income countries (LICs) and FCS countries. The flexible crisis prevention, preparedness, and response framework presented in this paper can be also applied to other types of crises not discussed here.

7. **To discuss the role of the WBG in helping client countries in future crises, the rest of this paper is structured as follows:** Section II reviews the vulnerabilities that currently heighten crisis risks. Section III draws lessons from past crises and identifies the key policy actions that can help reduce the damage from crises. Section IV discusses the current and future role of the WBG in managing crises. Section V concludes the paper and includes Questions for Discussion.

II. The Costs of Crises

8. **Crises typically cause severe losses in low- and middle-income economies, affect some countries more than others, and hurt vulnerable populations most (Box 1).** The human and economic costs of crises are relatively large in poorer countries due to limited capacity to prepare and respond, and certain groups of countries face elevated risks of specific types of crises. The impact of crises often falls heavily on vulnerable groups such as the poor, the elderly, women, infants, informal and unskilled workers, and schoolchildren. As a result, crises tend to exacerbate income and gender inequality. The success of crisis-related policies must be judged in large part by how well they protect these groups from losses in lives, livelihoods and human capital. The vulnerability to crises is identifiably greater in the least developed countries and in SIDs.

9. **Crises can occur simultaneously and be triggered in many ways.** The pandemic illustrates how multiple crises can take place at the same time with magnified impact, especially in light of currently elevated vulnerabilities and a large scope for cross-border spillovers. The COVID-19 pandemic led to the second-deepest contraction in global GDP in eight decades, with severe recessions in many EMDEs as a health crisis turned into an economic crisis.

- **Health crises** are likely to recur given continuing encroachment on wild ecosystems, climate change, and ever greater connectivity. In recent decades, the world has experienced COVID-19, HIV/AIDS, the Avian flu, SARS, Middle East Respiratory Syndrome (MERS), Zika, and several regional Ebola outbreaks, and other diseases. Crises of zoonotic origin are exacerbated by lack of preparedness and weak health systems and monitoring mechanisms. EMDEs harbor the bulk of hotspots for emerging zoonoses of pandemic potential (Allen et al. 2017).

- Climate change contributes both to the rising likelihood and severity of **natural disasters**. Poorer countries and SIDs are disproportionately vulnerable to these events: for instance, about 90 percent of the world’s 1.5 billion people exposed to intense flooding live in EMDEs, and over one-third of them are poor and particularly vulnerable (Rentschler and Salhab 2020).
Box 1. The Costs of Health Crises, Natural Disasters and Economic Shocks

**Crisis can come in many forms.** *Health crises* include disease outbreaks affecting large segments of the population, such as infectious diseases of zoonotic origin like COVID-19. *Natural disasters* include events such as storms, floods, droughts, volcanos, and earthquakes, among others—some of which are being exacerbated by climate change. *Financial crises* include banking crises (depletion of banking system capital due to asset quality deterioration), currency crises (substantial and rapid depreciation), and debt crises (debt default or restructuring). The focus of this paper is on local, regional, and global short-term shocks. In the context of natural disasters, the paper focuses on client country policies to adapt to the effects of climate change to the extent they cause disasters.

**Crisis lead to large losses in EMDEs.** In terms of *health crises*, the COVID-19 pandemic led to a contraction of 3.5 percent of global GDP in 2020, including acute GDP collapses of 6.5 percent and 5.4 percent in the Latin American and the Caribbean and South Asia regions, respectively. By the end of 2021, about 100 million people across EMDEs will have fallen back into extreme poverty. Even smaller crises can lead to enormous losses; for instance, the 2003 Severe Acute Respiratory Syndrome (SARS) outbreak resulted in a loss of US$52 billion. *Natural disasters* cost about $18 billion a year in EMDEs through damage to electricity and transport infrastructure alone. Without urgent action to mitigate climate change, 132 million people could be pushed into extreme poverty by 2030 (Jafino et al. 2020). The 2009 global *financial crisis* caused global output to fall 1.8 percent. About a quarter of financial crises are associated with output contractions of more than 5 percent in affected countries. Trade and financial linkages, as well as the movement of people, facilitate cross-border spillovers of crises and magnify their adverse impacts. For example, the COVID-19 pandemic was accompanied by a steep decline in foreign direct investment in EMDEs, reduced access to finance, especially for micro, small and medium enterprises (MSMEs), and declining profitability across EMDE firms.

**Crisis often involve the destruction of human capital.** COVID-19, in particular, is also expected to have lasting impacts on human capital through loss of income, increased food insecurity, and disruption of essential services. For example, closure of health facilities and reduced demand have led to foregone care, with negative implications for mortality and morbidity. Moreover, an estimated 11 million students from primary and secondary schools will have dropped out once the pandemic abates amid the associated income shock. The result is significant losses in effective years of basic schooling. These losses have broader consequences for girls, who are more likely to drop out of school and are vulnerable to violence and child marriage, and thus set back progress in fostering gender equality.

**Crisis are more costly in poorer countries with limited capacity to respond.** Countries with stronger institutions, fiscal positions, health care systems, and social benefit systems were better able to mitigate impacts of the pandemic. In contrast, in LICs and FCS countries, heightened vulnerabilities, a lack of adequate risk monitoring and limited policy capacity increase the likelihood of outsized losses during crises. For instance, several FCS countries experienced double-digit GDP contractions in 2020. Multiple crises could emerge and compound their adverse impact. For instance, natural disasters or a worsening of the pandemic could further worsen fiscal positions and exacerbate debt burdens, rendering affected countries more vulnerable to financial crises. In the case of the COVID-19 pandemic, reliance on key suppliers in a handful of countries meant that, when production in one of these countries was hit, it translated into disruptions for global supply chains. Damage to supply chains and lost jobs and incomes from crises can exacerbate food insecurity (World Bank 2020). The impact of crises often falls disproportionately on vulnerable groups, worsening income and gender inequality, as happened during the COVID-19 pandemic (Bundervoet, Davalos, and Garcia 2021; Ohnsorge and Yu 2021).

Source: WBG Staff.

- *Financial crises* could be triggered by a rapid increase in borrowing costs, a decline in confidence, rising defaults, or a sudden stop of capital flows, but also by uncoordinated responses to natural disasters and outbreaks of disease. The pandemic has pushed debt in EMDEs to record levels, increasing the risk of financial crises, while rising links between sovereigns and banks elevate the risk that stress in one sector feeds back and amplifies stress...
in the other (Feyen and Zuccardi 2019; Kose et al. 2019). About half of IDA countries are in
debt distress or at high risk of debt distress, spotlighting the development challenges they face.

III. The Lessons from Past Crises

10. The experience of EMDEs during past crises offers valuable lessons for the future. The
main lesson from previous crises is that countries with stronger public institutions, more
competitive private sectors, sound financial systems, and nimble governments do better, both in
limiting the damage and recovering faster. Relatedly, while every country must face the reality
that efforts to prevent crises and prepare better for them require scarce fiscal and administrative
resources, poorer countries appear to underinvest relatively more.

11. Investing in prevention and preparedness is critical. Policy actions related to crises
encompass three interconnected areas: prevention, preparedness, and response. No amount of pre-
crisis planning would have fully absorbed the shock from the COVID-19 pandemic, but
investments in self-protection generally cost a small fraction of the price of ex post responses (G20
2021). Yet crisis prevention and preparedness are global public goods with sometimes uncertain
and distant returns, creating incentives for underinvestment by the public and private sectors. This
is especially the case in IDA countries where development needs are urgent, economic structures
are fragile, and access to resources during crises becomes especially difficult.

12. Strong and well-coordinated public institutions and robust digital infrastructure play
significant roles in prevention, preparedness for, and response to crises. Progress towards
traditional long-term development goals helps countries prevent, prepare for, and respond to all
types of crises. Countries with better governance, stronger and well-coordinated institutions—
backed by sufficient fiscal space—are less likely to be pushed into crisis by a shock and are better
able to muster the multi-sectoral responses needed to mitigate damage and reduce policy
uncertainty when crises occur (World Bank 2013). Strong healthcare and education systems have
more capacity to adjust to disasters, government credibility can smooth the delivery of emergency
response efforts, and well-designed, adaptive social safety nets can be scaled up rapidly to speed
the provision of support to poor and vulnerable populations during crises. Digital development is
critical in delivering better health and education services, enabling access to finance and a wider
set of economic opportunities, and facilitating improved interactions between citizens and
institutions. Robust digital infrastructure also provides flexibility across sectors, supporting both
public and private sector activities, as demonstrated by the increased use of mobile payments, e-
learning, and remote schooling and work during the pandemic. Enabling mechanisms to support
the private sector during crises are key to maintaining economic activity.

13. Preparedness for all types of crises benefits from improvements in fiscal space, insurance
mechanisms, and institutional capacity. It is critical to plan and implement countercyclical fiscal
policies and create mechanisms that ensure the accumulation of savings and buffers over the cycle
that can later be spent during downswings (World Bank 2015). Fiscal space is typically eroded by
new liabilities created by crises; accordingly, it is important to reinforce macro-fiscal buffers as
part of transparent and credible medium-term fiscal plans, to integrate crisis risks within
governments’ fiscal risk management framework, and to leverage the role of the private sector in
reinvigorating economic growth. Products like catastrophe bonds and weather-based insurance can
provide protection against losses associated with certain crises, but markets are often incomplete,
especially in poorer countries with less developed financial systems. Early warning systems are
14. Monitoring and precautionary measures help prevent crises. Early detection can lower the incidence of health crises by containing new disease outbreaks. Robust animal health infrastructure and sustainable habitat management practices can control pathogens among domesticated animals, while careful monitoring can avoid transmission from wildlife. “Risk-informed” urban planning, infrastructure investments, and building standards can help avoid losses from natural and climate-related disasters. Effective oversight of financial systems and prudent macroeconomic policies help prevent the accumulation of risks that lead to financial crises.

15. Some response measures are specific to the type of crisis. Responses to health crises are now familiar: testing and tracing, social distancing, restrictions on movement, and other public health measures can slow the spread of pathogens and reduce health-related losses, as can effective vaccination and treatment. Essential public services including public platform infrastructure need to be provided in the aftermath of natural disasters and should be followed by an effective post-disaster reconstruction process. During financial crises it is essential to restore the flow of credit to stabilize markets, avoid defaults impairing systemically important financial institutions, and deal with distressed assets. In addition, the ability to respond to supply chain disruptions is also key in restoring and sustaining activity. Promoting coordination across supply chains, with necessary support via financial intermediaries, can help manufacturers and others to continue operations.

16. Global and regional policy coordination is critical in helping countries deal with crises. During crises, there is an acute need to mobilize resources tailored to the specific needs of the affected countries, bring together global, regional and local expertise, and collaborate effectively among the public sector, the private sector, different levels of government, civil society and multilateral institutions (United Nations and World Bank 2018). Effective coordination can mitigate adverse global and regional spillovers and rebuild confidence following crises. It can discourage protectionist measures that threaten the provision of critical goods and disrupt supply chains. At the global level, cross-country coordination in preparing and responding to crises requires leadership from institutions such as the WBG. This is only possible if productive partnerships among international institutions have been built before the crisis.

IV. The Role of the WBG in Future Crises

17. The WBG will scale up its support for managing crises. In previous crises, the WBG has extended exceptional amounts of financial support and creating innovative advisory and financing services in short order (Box 2). The WBG’s speedy and comprehensive response was built on its pool of knowledge and expertise developed while assisting countries during previous crises. As developing countries face the possibility of more frequent and costly crises, demand for WBG support will increase. The WBG will build on its unprecedented response to the COVID-19 pandemic and its previous experience in assisting clients deal with outbreaks of communicable diseases, large economic shocks and natural disasters, and further scale up its support in line with its comparative advantage.

18. The WBG will continue its comprehensive, proactive and flexible approach to crises that combines ex ante risk reduction and preparedness measures with ex post responses. This approach leverages the WBG’s in-country presence and includes crisis advisory and technical
Box 2. World Bank Group Response to the COVID-19 Pandemic

WBG financing to address the COVID-19 pandemic has been the largest and fastest emergency response in its history. The WBG has committed $160 billion in financial support to help more than 100 countries protect poor and vulnerable people, support businesses and bolster economic recovery. Of this, $53 billion is committed to IDA countries. As an initial response, the Fast-Track COVID-19 Facility (FTCF) provided $14 billion financing in March 2020. While supporting countries’ emergency health response, the WBG set aside another $20 billion envelope for the purchase and deployment of vaccines, at the same time strengthening its partnership with COVAX. As of end-June 2021, the WBG’s Global Health response has approved $8.9 billion of financing for vaccines, therapeutics, diagnostics, and other medical supplies and services, $10.7 billion for social protection for poor populations, and $2.1 billion for educational initiatives such as distance learning to close the learning gaps COVID-19 has created. A range of WBG financing instruments, such as the IDA-PSW window, have supported countries’ short-term response to the pandemic alongside longer-term preparedness and systems strengthening. Through June 2021, IFC has deployed $15.8 billion in COVID-19 response including $5.8 billion of own account financing and $1.7 billion of mobilization under the IFC COVID-19 Fast Track Facility (IFC FTCF), which supports the emergency trade, working capital and liquidity needs of existing clients. 46 percent of IFC financing under the IFC FTCF was in IDA and FCS countries. The Multilateral Investment Guarantee Agency (MIGA) supported private sector activities in EMDEs by rapidly expanding financing and guarantee programs. Under MIGA’s COVID-19 Response Fast-track Facility, MIGA guarantees supported $5.6 billion in financing for projects to mitigate the impact of the crisis.

The WBG is playing a lead role in helping poorer EMDEs acquire and deploy vaccines. Operations in 53 countries, more than half in Africa, have approved financing of $4.4 billion that will enable the purchase of 289 million COVID-19 vaccine doses. Informed by capacity diagnostics, the WBG is also supporting the implementation of health programs, including strengthening health systems, health workforce training, management and logistic systems, cold chain capacity, monitoring and evaluation, as well as key health supplies including PPE, diagnostics, therapeutics, vaccines and vaccination supplies. The WBG is also engaging with many countries to better address vaccine hesitancy. The use of the Multiphase Programmatic Approach (MPA) during the COVID-19 pandemic has reduced project preparation times to an average of 2.5 months, hastened the approval of 104 projects, and made it possible to approve a standardized vaccine response framework and a sizeable financing envelope before any vaccines were even on the market. In partnership with the World Health Organization (WHO) and other partners, the WBG also launched the innovative Vaccine Readiness Assessment Framework (VRAF), which has enabled deployment readiness in more than 140 countries. The WBG is building on the VRAF: as of end-July, 42 percent of WBG financing in vaccine operations is for deployment and health system strengthening, informed by the findings of these assessments. IFC’s Global Health Platform (GHP), a $4 billion platform to support manufacturing and healthcare services in response to the pandemic has reached $1.2 billion in commitments from eight projects with nearly half of that amount mobilized from external parties. This effort has included COVID-19 vaccine manufacturing in Asia and Africa, with the latter investment the largest ever pharmaceutical project financed by the IFC and the largest mobilization for a healthcare project. In addition, the GHP initiative has continued to support efforts around preparedness for future crises by working upstream across many EMDEs to support development of healthcare manufacturing and services.

The WBG has fostered partnerships to support client countries at all stages of the vaccine chain. It has partnered with the private sector through MIGA guarantees and IFC investments and contracting negotiations; with donor partners to support financing and readiness; and now formally convened a joint task force with the WHO, International Monetary Fund (IMF), and World Trade Organization (WTO). Financial backing from the WBG will enable COVAX to negotiate advance purchase agreements with vaccine makers based on aggregated demand across several of the 92 low- and middle-income countries (LMICs) that participate in advance market commitments. A partnership between the WBG, the African Union, and the Africa Vaccine Acquisition Task Team (AVATT) is supporting vaccine acquisition and deployment in Africa.

Source: WBG Staff.
assistance, real-time data systems, and high-frequency surveys, investment projects and
development policy operations supporting preparedness, and the development of financing
instruments, including products that function as insurance while mitigating moral hazard. The
WBG has been active in developing these services for all EMDEs, including LICs and FCS
countries. With crises becoming more frequent, more likely to spill over national borders, more
prone to becoming multidimensional and more demanding of a concerted public and private sector
response, the approach of the WBG has shown its value over the years.

19. The WBG will actively partner with governments, the private sector, and other global
organizations on all aspects of crises. Through a range of services, the WBG works hand-in-
hand with governments, the private sector, civil society, and international organizations to reduce
the likelihood of crises; prepare for crises; and—when crises occur—provide timely financing,
policy guidance, and operational expertise.

Analytical work, advisory services and technical assistance

20. The WBG’s operational work on crisis risk management begins with country diagnostic
exercises. Systematic Country Diagnostics (SCDs) prepared in consultation with national
authorities help form the WBG’s understanding of key development challenges including the
ability to plan and prepare for, respond to and increase resilience to crises. Country Partnership
Frameworks (CPFs) that build on SCDs to guide the WBG’s engagements present a first
opportunity to devise partnerships with countries to prevent, prepare for and respond to crises.
Assessments of country-specific vulnerabilities to climate-related disasters being done in Country
Climate and Development Reports (CCDR) will be an input to SCDs and CPFs. Joint IFC-WBG
Country Private Sector Diagnostics (CPSD) also contribute to crisis risk management by shaping
strategic priorities for private sector engagement. Analytical reports on crisis risks and the linkages
between crisis and development shape project design and inform the WBG’s ongoing dialogue
with the policy community. Crisis preparedness was a prominent part of IDA18, it was carried into
IDA19, and is now further prioritized as a cross-cutting issue in IDA20.

21. The WBG is a leader in natural and climate-related disaster risk management. The WBG
provides technical assistance for assessing risk exposure, risk reduction, preparedness, financial
protection, recovery and reconstruction. Assisting countries in improving the resilience of
infrastructure to natural disasters and in incorporating climate and public health considerations
into urban planning and infrastructure design are key priorities for the WBG, as they can mitigate
the devastating and prolonged impacts of crises on poverty and instability, especially in FCS
countries. The WBG’s Green, Resilient, and Inclusive Development (GRID) approach promotes
economic growth that goes hand in hand with environmental goals and social inclusion, while
emphasizing the importance of cross-sectoral coordination to improve crisis resilience. At its core,
GRID focuses on building resilience and reducing risks across all vulnerable areas, ranging from
macro-fiscal management to infrastructure systems and essential public services, private sector
opportunities, as well as ecosystems from which zoonotic diseases may escape.

22. The WBG’s technical assistance programs for pandemic prevention and preparedness
have grown steadily. The WBG focuses on strengthening, inter alia, disease surveillance and
information systems, laboratory capacity and networks, human resources, emergency response
management, and risk communication. Using the principles of the One Health approach, the WBG
has helped countries improve their surveillance, detection, and response capacity during the COVID-19 pandemic; similar approaches were used during the Avian flu epidemic and during Ebola outbreaks. In addition, the WBG produces influential analytical products and knowledge exchange programs on crisis response that capture operational lessons and country experiences promoting just-in-time transfer of knowledge.

23. **Systematic financial sector monitoring and diagnostics by the WBG and development partners inform WBG support to countries to avert or manage financial crises.** The WBG monitors financial sector vulnerabilities and compliance in regular reports such as Financial Sector Assessment Programs (FSAPs), using these assessments to develop policy responses, and produces regular Debt Sustainability Analyses (DSAs) for IDA countries under the Debt Sustainability Framework for LICs in collaboration with the IMF. The WBG’s flagship *Global Economic Prospects* examines global economic and financial developments, prospects, and risks, with a focus on EMDEs, and other work by the WBG assesses macro-financial risks at the global, regional, and country levels (World Bank 2021b).

24. **WBG technical assistance has improved countries’ debt management practices and financial sector and fiscal frameworks.** The WBG develops analytical work and provides technical assistance to assist governments, central banks, regulators, and the private sector improve banking supervision, strengthen capital markets, design regulatory/macropudential frameworks, develop management and monitoring strategies for fiscal risk, design and implement robust fiscal mechanisms that enable savings during good times so they can be used during severe economic downswings, and establish deposit-insurance systems and financial safety nets. In IDA countries especially, WBG technical assistance helps build the public financial and debt management capacity needed to manage debt and prioritize public interventions. This work has helped prevent the accumulation of arrears, supported the adoption of accrual-based accounting, and led to improvements in public debt reporting. The WBG also provides technical assistance and diagnostics to align national frameworks for corporate insolvency and debt resolution with international standards, reducing the likelihood that corporate failures will weaken entire financial sectors and compromise macroeconomic stability.

**Financing and insurance**

25. **IBRD and IDA financing support has been rapidly adapted and frontloaded to respond to the unprecedented crisis.** Traditional instruments—including Investment Project Financing (IPF) and Development Policy Financing (DPF)—are employed before and during crises. For IBRD countries, DPF can be supplemented by a Deferred Drawdown Option (DDO), a contingent credit line allowing access to rapid financing to respond to adverse economic events. Catastrophe DDOs (Cat-DDOs) available to IBRD and IDA clients provide a pre-approved financing line for natural disasters or health crises. Cat-DDOs require governments to commit to developing an integrated Disaster Risk Management (DRM) strategy before disasters strike, thus providing a strong platform for countries to advance DRM investments that go beyond disaster response. IBRD clients also have access to Special DPFs when approaching, or in, macroeconomic crisis. The WBG has scaled up its use of the Contingent Emergency Response Component (CERC), including with pre-funding, to allow rapid reallocation of uncommitted IPF funds in the case of disasters. The WBG also supports countries in developing disaster and catastrophe insurance products, often in coordination with the private sector. During the pandemic, the WBG
successfully accelerated its support to client countries by innovatively using its Multiphase Programmatic Approach (MPA), which had not originally been designed as crisis response financing. IFC will leverage its range of financing solutions, upstream activities as well as advisory services work to develop the necessary tools and support sustainable private sector-led development and economic activity. These include short term financing options, long-term debt products, equity, local currency, as well as blended finance solutions, amongst others.

26. Dedicated financing facilities have been created for IDA countries, which typically have weaker capacity to prepare for and respond to crises. The Crisis Response Window (CRW) provides IDA countries with a dedicated source of financing to address, as a last resort, the impacts of severe natural disasters, public health emergencies, and economic crises. It also provides resources to mount an earlier response to slower-onset crises, namely, disease outbreaks and food insecurity. The newly established Health Emergency Preparedness and Response (HEPR) Trust Fund provides financing to IDA countries and countries with low health sector preparedness. Pre-allocated CRW ERF CERCs are an innovation under IDA 19. Moreover, investment guarantees provided by MIGA under its COVID-19 Response Fast-track Facility, using mainly its credit enhancement and capital optimization products, have helped mitigate the health effects of the crisis—by providing medical supplies and services—and the economic effects by supporting, for example, access to credit for underserved groups and low-income housing and, overall, building greater resilience to future health and economic crises.

27. IFC and MIGA prioritized fast-disbursing facilities during the COVID-19 pandemic to support a sustainable and resilient private sector recovery. Lessons from the IFC’s response to past crises suggest that: (i) IFC’s additionality and development impact have been stronger following a crisis, and (ii) IFC’s effectiveness has been more pronounced when it acted quickly to adapt its strategies, programs and exposure to deteriorating economic conditions. With these lessons in mind, IFC’s initial pandemic response focused on supporting companies through liquidity or growth financing. Fast-track financing sustained infrastructure, manufacturing, agriculture, and services (Real Sector Crisis Response Facility); ensured the availability of trade financing (Global Trade Finance Program); shored up working capital (Working Capital Solutions Program); provided risk-sharing solutions to local banks so that they continue to lend (Global Trade Liquidity and Critical Commodities Financing Program); and supported access to financial services for micro and small businesses (Base of the Pyramid Program), making available up to $130 million of IDA-PSW and other blended finance allocations to de-risk credit and foreign currency exposure. IFC’s Global Health Program supported vaccine manufacturing and healthcare provision to provide immediate relief and build capacity for the future, whereas its Upstream approach seeks out opportunities for the private sector to generate sustainable economic growth. Investment guarantees provided by MIGA under its COVID-19 Response Fast-track Facility, using mainly its credit enhancement and capital optimization products, have helped in building countries’ greater resilience to future health and economic crises, including by mitigating (i) the health effects of the crises by providing medical supplies and services and (ii) the economic effects by supporting access to credit for underserved groups and low-income housing, for example. Both institutions are prioritizing financing and guarantees to IDA and FCS countries, including deployment of the IDA PSW.
Global and regional coordination and partnerships

28. The WBG plays a key role in the global and regional coordination of crisis-related actions. International cooperation and partnerships among development partners through formal and informal channels is critical for bolstering crisis prevention efforts and addressing crisis-related challenges, particularly in the context of compound crises and crises that cross borders. The COVID-19 pandemic has underscored the important role the WBG plays in global and regional coordination—including with the IMF, the WHO, WTO and other United Nations agencies, Group of Twenty (G20), GAVI, and regional development partners—notably through the disaster risk finance agenda. For example, regarding health crises, the WBG plays a critical role on the Task Force on COVID-19 Vaccines, Therapeutics and Diagnostics for Developing Countries, which helps to track, coordinate, and speed the delivery of COVID-19 health tools.

29. The WBG also has a track record of supporting countries strengthen outbreak prevention and preparedness. This includes numerous regional projects that support strengthening disease surveillance and information systems, laboratory capacity and networks, workforce training and deployment, emergency response management, and risk communication. Prominent examples include the Africa CDC project, the REDISSE program in West and Central Africa, the East Africa Public Health Laboratory project and the Southern Africa TB project. In the area of natural disasters, the WBG works closely with the United Nations Office for Disaster Risk Reduction (UNDRR) to provide information and promote best practices on risk management, e.g., through the Global Risk Assessment Framework (GRAF). In the area of financial crises, the WBG actively engages in the formulation of key financial sector stability agendas within the G20, the Financial Stability Board, and other global standard-setting bodies and works with EMDEs to promote compliance with agreed-upon standards. During the COVID-19 pandemic, the WBG, together with the IMF, facilitated the implementation of the Debt Service Suspension Initiative (DSSI) and played the leading role in advocating for additional coordinated debt relief.

Future directions

30. Crises require quick and coordinated multi-sectoral policy responses. To address all the effects of serious shocks such as the pandemic, no single channel of financing will be sufficient. Instead, a well-coordinated, multi-sectoral response across multiple sources of financing and development institutions will be needed in the future as they have been in the past.

31. The WBG will continue providing innovative and flexible support for crisis prevention, preparedness and response. This support spans four dimensions: a calibrated approach in its financing operations across crisis prevention, preparedness, and response and broader development objectives; flexible, rapid and front-loaded financing for the most vulnerable countries and populations; improved monitoring of health, natural, financial and other risks such as threats to food shortages and cybersecurity and supply chain disruptions; and broad within-country and global coordination through stronger partnerships, including with the private sector. Specific policy choices will depend on country circumstances.

- Financing operations will support countries in their efforts for crisis prevention, preparedness, and response. With heightened global attention to crises and a shared experience of the disruption caused by health and economic crises, countries have a better understanding of the need to adopt crisis prevention and planning mechanisms. For IDA and IBRD countries, there is an opportunity to include more crisis prevention and preparedness in
the terms agreed upon in financing programs. Programs will continue to support cost-effective measures to build awareness and strengthen crisis preparedness and resilience—e.g., early warning systems, emergency management systems, crisis-resilient health systems and infrastructure, adaptive social protection systems. These can be combined with financial and fiscal preparedness mechanisms for crises, such as contingent credit lines, fiscal buffer enabling mechanisms, incorporation of crisis costs in budgets and responsive public financial management systems to promote sensibly planned crisis response spending that is pre-approved in advance of a crisis. In addition, the financing of the private sector during crises is vital to sustaining employment and building resilience. IFC will continue to improve targeted funding, enhanced portfolio management and active monitoring and feedback from the private sector including banks, financial institutions and real sector clients to continuously update its response to crises.

- **The WBG will closely monitor and analyze crisis risks.** Strong analytics can help prioritize and inform investments in crisis preparedness and anticipate financing needs. At the country level, rigorous benchmarking of crisis prevention and preparedness in the WBG’s primary diagnostic and strategy documents will continue. Risk tools that are being developed by the Global Crisis Response Platform will support surveillance of risks related to a range of crises, especially for IDA countries. The high-frequency household and firm surveys conducted by the WBG to track the responses to and socioeconomic impacts of COVID-19 have proven of value in the pandemic. A pre-commitment to financing systematic, high-frequency surveys and other data collection would allow for timely assessments of crisis impacts, inform policies and trigger actions. The 2022 World Development Report will provide recommendations on how to mobilize the financial sector for crisis resilience, including leveraging guarantees for crowding in private sector investment.

- **The WBG will continue pursuing innovative co-financing efforts with key development partners.** In part, this can be achieved by establishing co-financing framework arrangements with key co-financing partners. Co-financing can be an effective mechanism to increase financing to countries facing overall country financing gaps such as SIDs, IDA graduates, or others facing constrained WBG allocations or envelopes, and those requiring support in responding to the health and economic impacts of the COVID19 pandemic. Further, co-financing frameworks create convening mechanisms to foster a shared understanding of development objectives. Partnering through different modes of co-financing, including parallel financing, encourages the creation of cross-sectional platforms based on themes, geographies and constituencies that allow partners to increase leverage, exchange knowledge on development solutions, and share the lessons learned in real time.

- **The WBG will continue to emphasize interagency and multilateral coordination.** When crises cover multiple countries, partnerships make it possible to offer scalable solutions and promote consensus viewpoints that can discourage protectionism that disrupts supply chains and the provision of essential goods and knowhow. To raise additional international support, coordination among multilateral and regional development banks and other development partners is critical, especially in tackling crises that are global in nature. The WBG has been working in partnership with other institutions to advance preparedness and response to COVID-19 such as Access to COVID-19 Tools Accelerator (including ACT-A and COVAX). This has included guaranteed financing from countries with approved Bank-financed operations to acquire vaccines through the COVAX Advance Market Commitment cost-
sharing mechanism. The WBG has convened a task force with the IMF, WHO, and WTO to track, coordinate, and advance delivery of COVID-19 vaccines and essential instruments to developing countries. In addition, the WBG’s partnerships with regional institutions such as the Africa CDC, West African Health Organization, and the African Union Commission have been critical in expanding access to vaccines. The WBG will continue to foster partnerships needed for timely responses to crises. Since crises affect many sectors and multiple crises often coincide, the WBG will continue its efforts to help strengthen inter-agency coordination within governments and among countries.

- **Additional crisis-related financing is required for IDA, FCS, SIDs, and other vulnerable countries.** Existing financing facilities provide essential resources for crisis preparedness and response in IDA countries, but additional assistance and a larger financing envelope are needed because these countries have limited buffers to tap during crises. To meet these urgent financing needs, the WBG launched an early IDA20 replenishment process, as discussed in the companion Development Committee paper “WBG Financing for Green, Resilient and Inclusive Development: Towards a Post-Pandemic Approach”. The IDA20 policy package, to be implemented during FY23-25, will prioritize crisis preparedness as a cross-cutting theme, focusing on the development of hydrological and meteorological systems and early warning systems, continuing the rollout of COVID-19 vaccines, implementing a One Health approach to pandemic preparedness, and improving the resilience of financial systems. The IDA Private Sector Window will continue to mobilize private investment in vulnerable markets that still require emergency relief while also creating new markets and opportunities for private sector engagement. Under the Climate Change Action Plan 2021-2025 (CCAP), the WBG will increase climate finance. Private capital mobilization (PCM) through financial markets will be critical in meeting financing needs for crisis preparedness. Innovative approaches to accelerate WBG financing for responses to future crises, such as the flexible use of MPA during the pandemic will be pursued.

**32. The WBG is developing a multi-pronged approach to build on its response to the pandemic, as also laid out in the companion Development Committee paper “WBG Financing for Green, Resilient and Inclusive Development: Towards a Post-Pandemic Approach.”** This approach involves:

- Scaled-up support for domestic resource mobilization (DRM) including IDA20 Policy Commitments.
- Scaled-up private co-financing and private capital mobilization (PCM) through investment platforms under the Cascade approach for portfolios of public and private sector projects as well as individual projects. Some projects will require de-risking or blending through donor funds or other mechanisms, including to enhance affordability of sovereign or other bond issues that co-finance WBG-led projects.
- Scaled-up GRID and climate financing through IFC, MIGA, IDA (early IDA20 replenishment) and IBRD; including partnerships through co-financing with MDBs and key bilaterals, and other consolidated financing mechanisms, that facilitate an efficient use of concessional resources. The WBG will also pursue scaled-up support for climate-smart trade through trade finance to promote global trade in energy efficiency and renewable energy goods.
Knowledge and advisory services for country capacity building: good carbon transition policy reforms, capacity-building for client countries, and support for addressing the social impacts of the transition.

Scaled-up deployment of private sector solutions is key. Supporting low-carbon investments through COVID-19 recovery financing has the potential to generate $10 trillion in investment opportunities for the private sector, resulting in 213 million cumulative jobs and the equivalent of 4 billion tons of CO2 reduction (IFC 2021). IFC’s Upstream approach is focused on building these private sector solutions, including with public-private partnerships (PPPs), working across the WBG, creating the enabling environment for private sector projects as well as developing support, along with MIGA, for sustainable projects aligned with GRID.

V. Conclusions and Questions for Discussion

33. The WBG met the once-in-a-century crisis caused by the COVID-19 pandemic with an extraordinary response, which offers valuable lessons for the future. It provided exceptionally high levels of support to client countries and flexibly adjusted financing programs. A heightened possibility of more frequent and costly shocks in the future underscores the vital need for countries to implement the GRID approach that integrates measures to prevent, prepare for, and respond to crises with long-term development needs. As always, good development policy includes crisis prevention and preparedness and, in particular, building the systems that can help prevent and reduce the damages of crises. These issues are critical going forward, as the global community reflects on the lessons learned from the pandemic and further calibrates its approach towards crisis prevention, preparedness, and response.

34. The ongoing COVID-19 pandemic underscores the benefit of equipping the WBG with financial resources that can be used in a rapid, flexible, and front-loaded manner in future crises. It also shows that progress on broader development goals—and, in particular, on building resilient systems and institutions—is at the core of an effective crisis response. Looking ahead, the WBG’s multi-prong approach toward crisis prevention, preparedness, and response will continue to be a key part of a comprehensive framework for green, inclusive, and resilient development. This approach supports global, regional and country-specific measures for prevention, preparedness, and response that will be key to dampening the impact of future crises. Armed with the lessons from the recent crisis, the WBG stands ready to assist client countries and the private sector with rigorous monitoring and analytical work, an appropriately calibrated approach to financing, and interagency and international coordination.

Questions for Discussion

- What are Governors’ views about the best strategies the WBG can employ to help emerging market and developing economies increase their resilience and improve their responses to crises?
- What are Governors’ views on the most critical elements of global policy coordination and financing to improve crisis prevention, preparedness, and response?
References


