DEVELOPMENT COMMITTEE
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on the
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Leaning Forward to Save Lives, Scale-up Impact and Get Back on Track: World Bank Group COVID-19 Crisis Response Update

Attached is the document titled "Leaning Forward to Save Lives, Scale-up Impact and Get Back on Track: World Bank Group COVID-19 Crisis Response Update" prepared by the World Bank Group for the virtual October 16, 2020 Development Committee Meeting.

WORLD BANK GROUP

Leaning Forward to Save Lives, Scale-up Impact and Get Back on Track

World Bank Group COVID-19 Crisis Response Update

Development Committee

October 2020

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List of Acronyms

ACLED	The Armed Conflict Location & Event Data Project
ADB	Asian Development Bank
AEs	Advanced Economies
AF	Additional Financing
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
ASA	Advisory Services and Analytics
BFP	Bank Facilitated Procurement
CAT-DDO	Catastrophe Deferred Draw-Down Option
CCT	Conditional Cash Transfer
CDC	Center for Disease Control
CDD	Community-Driven Development
CEB	Council of Europe Development Bank
CEN	Country Engagement Note
CERC	Contingent Emergency Response Component
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CRW	Crisis Response Window
CSO	Civil Society Organization
DBA	Donor Balance Account
DE	Developing Economy
DEC	Development Economics Vice Presidency
DeMPA	Debt Management Performance Assessment
DFI	Development Finance Vice Presidency
DLP	Debt Limits Policy
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
EBRD	European Bank for Reconstruction and Development
ECD	Early Childhood Development
E/L	Equity-to-Loans
EFI	Equitable Growth, Finance and Institutions Practice Group
EIB	European Investment Bank
EMBI	Emerging Markets Bond Index
EMDEs	Emerging Market and Developing Economies

ESF	Environmental and Social Framework
EU	European Union
FCSs	Fragile and Conflict-affected Situations
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FIL	Financial Intermediary Loan
FM	Financial Management
FSF	Financial Sustainability Framework
FTCF	Fast Track COVID-19 Facility
FY	Fiscal Year
G7	Group of Seven
G20	Group of Twenty
GBV	Gender-based Violence
GDP	Gross Domestic Product
GDI	Graduation Discussion Income
GEP	Global Economic Prospects
GFF	Global Financial Facility
GTFP	Global Trade Finance Program
GTLP	Global Trade Liquidity Program
HD	Human Development Practice Group
HEPRTF	Health Emergency Preparedness and Response Multi-Donor Fund
HNP	Health, Nutrition, and Population
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IDA19	IDA19 Replenishment
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
INF	Infrastructure Practice Group
IOR	IFC Operational Report
IPF	Investment Project Financing
IsDB	Islamic Development Bank
IT	Information Technology
JET	Jobs and Economic Transformation

LAC	Latin America and the Caribbean
LICs	Low-Income Countries
LMICs	Lower Middle-Income Countries
LTF	Long-term Financing
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MFI	Microfinance Institution
MICs	Middle-Income Countries
MIGA	Multilateral Investment Guarantee Agency
MPA	Multiphase Programmatic Approach
MSMEs	Micro, Small and Medium Enterprises
MTI	Macroeconomics, Trade and Investment Global Practice
NBFI	Non-Bank Financial Institution
NDB	New Development Bank
NPL	Non-Performing Loan
NPV	Net Present Value
OECD	Organization for Economic Cooperation and Development
OPCS	Operations Policy and Country Services
PAD	Project Appraisal Document
PBA	Performance Based Allocations
PFM	Public Financial Management
PforR	Program-for-Results financing Instrument
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
PSW	Private Sector Window
Q4	Fourth Quarter (April-June)
RB	Rebuilding Better
SALL	Sustainable Annual Lending Limit
SBO	Strategy and Business Outlook
SBL	Single Borrower Limit
SD	Sustainable Development Practice Group
SDGs	Sustainable Development Goals
SDFP	Sustainable Development Finance Policy
SIDS	Small Island Developing States
SMEs	Small and Medium Enterprises
SOE	State-owned Enterprise
SPRP	Strategic Preparedness and Response Program
SSA	Sub-Saharan Africa
STARSTF	Sudan Transition and Recovery Support Trust Fund
TA	Technical Assistance
UN	United Nations
UNICEF	United Nations Children's Fund
USD	United States Dollars
VC	Venture Capital
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WHO	World Health Organization

Executive Summary

i. **As the impacts of the COVID-19 pandemic grow increasingly severe, the WBG has mounted the fastest, largest crisis response in its history**. This Update tracks progress on the WBG COVID-19 Crisis Response as outlined in the Approach Paper discussed by the Board of Executive Directors on June 23, 2020. Building on a record $45 billion in financing from April through June, the WBG is leaning further forward to help countries lay the foundation for resilient recovery and renewed progress on the Twin Goals. The Approach leverages WBG comparative advantages by engaging through knowledge, finance and convening platforms that apply the Cascade across the World Bank, IFC and MIGA and focus on *speed, scale and selectivity*.

ii. **The pandemic has continued its rapid spread into developing countries.** The total number of confirmed COVID-19 cases worldwide has multiplied from 6 million to over 25 million since the Approach Paper was submitted to the Board of Executive Directors. Although impacts vary across regions and countries, the pandemic's geography has shifted: nearly 4 of 5 new cases are now in developing countries with Brazil, India, Russia and South Africa among the most affected.

iii. **Recent WBG analysis, high-frequency surveys, and reporting by local and international organizations all confirm the pandemic's growing human and economic toll – particularly on the poor and vulnerable.** The COVID-19 pandemic has triggered what is likely to be the deepest global recession since World War II, with enormous human capital impacts. Billions of jobs remain under threat, nearly 1.6 billion students are impacted by school closures, and millions are falling into extreme poverty. Hunger is increasing, and the number of food insecure people could double to a quarter billion in 2020. The pandemic is aggravating existing sources of fragility and exacerbating instability in FCV settings. It is also intensifying specific risks for women, with evidence of worsening rates of domestic and gender-based violence. Consensus forecasts see global recovery starting in 2021, reflecting in part unprecedented macroeconomic policy support in many countries. However, there is large uncertainty and downside risks predominate. The recovery could be delayed or derailed by a second wave of infections and/or delays in the rollout of vaccines. With debt levels already at historic highs, this could lead to financial instability.

iv. **At the forefront of the multilateral response, the WBG has stepped up support across the client spectrum – particularly in LICs, FCSs and Small States**. Drawing on key comparative advantages, including global expertise in health and economics across the public and private sectors, the WBG has moved swiftly to help countries respond to the multi-dimensional crisis triggered by COVID-19. The June Approach Paper provided a high-level framework to guide the WBG crisis response comprising three stages – *Relief, Restructuring and Resilient Recovery* – and four thematic pillars covering health, social and economic responses, as well as policies, institutions and investments for rebuilding better. The flexible and adaptable framework builds on WBG knowledge, IEG evaluations and lessons learned. It enables tailored adjustments to WBG country programs to help clients address immediate health threats and social and economic impacts of the crisis, while maintaining a line of sight to long-term development goals. The WBG's response complements and supports a diverse coalition of local and international organizations in priority areas such as access to PPE and vaccines, debt relief, and assisting FCSs and Small States.

v. **The WBG delivered a record $45 billion in financial support in the fourth quarter (Q4) of FY20 – reflecting the urgency of the crisis and the scale of client demand**. This exceeds one-fourth of the $160 billion in WBG financial support planned from April 2020 through June

2021. While major bilateral creditors are providing crisis support primarily through the G20 Debt Service Suspension Initiative, the WBG is providing large positive net flows for urgent interventions that impact the poor and vulnerable. For the World Bank, $4 billion in Q4 commitments was in grants to poor countries at moderate or high risk of debt distress, $5 billion went to FCS and $470 million to Small States – 73 percent of IBRD commitments went to below-GDI countries. For IFC, over 55 percent of the $3.5 billion from the Fast-track COVID-19 Facility was deployed to support existing private sector clients in IDA/FCS. MIGA provided $2.1 billion for projects to mitigate the impact of the crisis in client countries under its Fast-track Facility.

vi. **Building on this momentum, the WBG is sharpening focus on the most effective use of its limited resources to help build resilience and start recovery in FY21 – while recognizing the complexity of the crisis and widely differing impacts among developing countries**.

- Country teams are preparing notes on *Country Program Adjustments Responding to COVID-19* that will be shared with the Board as part of project documentation. These country program adjustments reflect selectivity and are based on complementarity, burden sharing, comparative advantage and anticipated impact. Multi-sector collaboration and approaches are encouraged.
- Emphasis is on *a cohesive response utilizing the Cascade to leverage expertise and synergies across the WBG* including in the design of financial instruments and solutions (e.g. risk sharing facilities to support SMEs, microfinance and bottom of the pyramid enterprises).
- *WBG analytical work, policy dialogue, and technical assistance* will assist governments and private sector clients to navigate trade-offs arising from the crisis and adapt to new realities.
- *IDA plans to commit up to $35 billion in the first year of IDA19*, three-fourths provided directly as country allocations with the remainder from IDA windows.
- IBRD country lending envelopes are guided by considerations of equity across members, commitments made in the 2018 Capital Package, consistency with IBRD's exposure management framework, and the need to direct resources where they are needed most. *A single IBRD allocation framework harmonizes terms for fast disbursing loans across the $10 billion crisis buffer and the $25 billion regular program*.
- *IFC has started the second phase of its COVID-19 response with the approval of a $4 billion healthcare platform* and two upcoming facilities to support, restructure and recapitalize viable financial institutions and companies so they can effectively support resilient recovery.

vii. **Looking ahead, sustained recovery hinges on containing the pandemic effectively – raising challenges for maintaining exceptional WBG support beyond FY21**. Incremental financing needs for developing countries arising from the crisis remain uncertain but will be exceptionally high and likely to persist over the medium term given the outlook for a drawn-out recovery marked by stop-go episodes. As a result of the pandemic, external financing needs for active IDA countries could increase by up to $100 billion per year – assuming that total incremental financing needs from the crisis are up to 10 percent of GDP per year and that only half can be met internally. For IBRD borrowers, the equivalent increase is up to $600 billion annually. Needs are especially acute for LICs and for Small States dependent on tourism and worker remittances.

viii. **WBG relevance to addressing the COVID-19 crisis ultimately depends on its financial capacity**. The need to respond to a crisis of such extraordinary severity had not been anticipated in recent shareholder agreements regarding WBG financial capacity. Exploring options to strengthen WBG capacity for sustaining support for resilient, inclusive and sustainable recovery within the context of fair burden sharing and continued international support merits further consultation with shareholders and IDA Deputies

Introduction – Implementing an Exceptional Response to an Unprecedented Crisis

1. **The World Bank Group has mounted an exceptional response to help client countries save lives and livelihoods, while protecting hard-won development gains threatened by COVID-19**. As presented in the Approach Paper[1] discussed by Executive Directors on June 23, 2020, the WBG crisis response centers on assisting countries to meet the dual challenge of addressing the health threat and the social and economic impacts of the COVID-19 crisis, while maintaining a line of sight to long-term development goals including the Twin Goals. A selective high-level operational framework guides the WBG crisis response across the three stages of Relief, Restructuring and Resilient Recovery. Building on WBG knowledge, IEG evaluations and lessons learned, the response is organized around four thematic pillars to help countries address the crisis and transition to recovery by: (i) saving lives threatened by the coronavirus, (ii) protecting the poor and vulnerable, (iii) maintaining the foundations of the economy and private sector, and (iv) strengthening the policies and institutions for resilient recovery based on transparent, sustainable debt and investments backed by strong governance and private sector solutions. The crisis response is grounded in the policy packages for the 2018 IBRD and IFC Capital Packages and the IDA19 Replenishment, as well as existing corporate strategies including Gender Equality, Climate Change and FCV. Using its global convening role, the WBG's crisis response complements and supports a diverse coalition of local and international organizations on priorities such as access to PPE and vaccines, debt relief, and support to FCSs and Small States.

2. **This Update tracks initial progress in implementing the WBG crisis response in the context of the pandemic's deepening impact on developing countries**. Rapid deployment of the crisis response helped deliver a record $45 billion in new WBG financing in FY20 Q4.[2] The WBG is providing large positive net flows for urgent interventions that impact the poor and vulnerable. For the World Bank, $4 billion in Q4 commitments was in grants to poor countries at moderate or high risk of debt distress, $5 billion went to FCS and $470 million to Small States – 73 percent of IBRD commitments went to below-GDI countries. For IFC, over 55 percent of the $3.5 billion from the Fast-track COVID-19 Facility was deployed to support existing private sector clients in IDA/FCS. The WBG is leaning further forward in FY21 on the way to an unprecedented $160 billion in financing over the 15 months from April 2020 through June 2021. Still, this will not meet all demands. Further exceptional support will be required beyond FY21, given the deep impacts of COVID-19, and growing likelihood of a drawn-out and costly recovery.

3. **The Update comprises five sections**. This introduction is followed in Section I by a brief update of the severe unfolding impacts of the COVID-19 pandemic and its geographic shift towards developing countries. Section II summarizes progress through the end of FY20 in implementing the unprecedented WBG crisis response – both overall and under each of the four thematic pillars aligned with the WBG's comparative advantages. Section III summarizes the plans for sharpening focus on the most effective use of the WBG's limited resources in helping build resilience and recovery in FY21. In Section IV, the Paper turns to the medium-term financing needs of developing countries, particularly LICs, given the increasingly uncertain outlook. It discusses the importance of sustaining exceptional support from the international community including from the WBG within its established financial sustainability frameworks. Section V closes with brief conclusions. Selected project examples across the four pillars are annexed.

[1] "Saving Lives, Scaling-up Impact and Getting Back on Track", WBG COVID-19 Crisis Response Approach Paper, June 2020.

[2] Includes IFC mobilizations and short-term financing, as well as MIGA issuances under its COVID-19 Facility.

I. The Pandemic's Deepening Impact on Developing Countries

4. **The COVID-19 pandemic continues to spread, with widening global impacts and expanding reach in developing countries**. Since the Approach Paper was submitted to the Board of Executive Directors in early June, the total number of confirmed cases worldwide has multiplied from 6 million to over 25 million. Confirmed deaths across 188 countries have reached 850 thousand as of end-August 2020. The rate of new cases continues to accelerate, with new reported cases averaging in the range of 250 thousand per day. Developing countries today account for nearly 4 out of 5 new cases (Figure 1). New hotspots are emerging in developing countries with Brazil, India, Russia and South Africa among the five most affected countries. Within regions, there is wide variation across countries regarding COVID-19 incidence and mortality. Many countries that have progressed in containing the pandemic now face secondary outbreaks. High positive test rates in some countries suggest that the true number of cases could be far higher than reported.

Figure 1. Daily Reported COVID-19 Cases
(thousands)

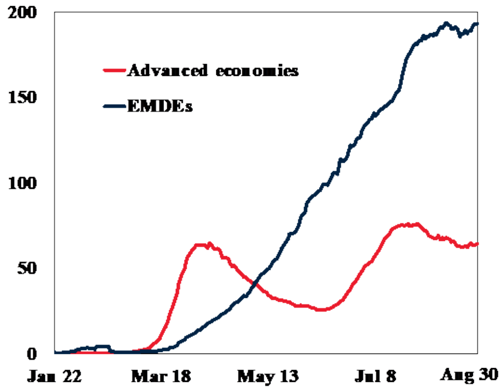
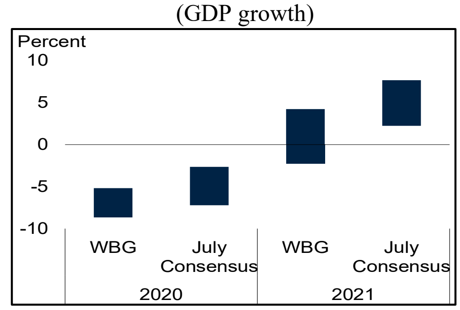


Figure shows 7 day moving averages. *Source*: Johns Hopkins University, World Bank

5. **The COVID-19 pandemic has triggered a global recession that far exceeds recent crises**. In its June Global Economic Prospects report, the WBG forecast global output to fall 5.2 percent in 2020 – nearly three times the contraction experienced during the global financial crisis – before beginning to recover with 4.2 percent growth in 2021, reflecting in part unprecedented macroeconomic policy support in many countries. This baseline forecast assumes that the pandemic recedes in such a way that most domestic mitigation measures can be lifted by mid-2020, adverse global spillovers ease during the second half of the year, and dislocations in financial markets are not long-lasting. While these assumptions may prove optimistic, even a moderate recovery in 2021 as per the June forecast would leave GDP some six percent below pre-COVID-19 forecasts from last January.

6. **There is large uncertainty, and downside risks predominate**. A wide range of outcomes is possible (Figure 2). If COVID-19 outbreaks persist into late 2020 or early 2021, restrictions on movement and interactions may have to be maintained or reintroduced, prolonging the disruptions to activity and further setting back confidence. With debt levels already at historic highs, this could lead to financial instability in many economies. In a downside scenario of prolonged shutdowns, the recession could deepen (with global output falling almost 8 percent in 2020, roughly equivalent to the combined GDP of France, Italy, and Spain) and recovery would be sluggish. A more severe scenario could entail a full-fledged second wave of

Figure 2. Global Growth Forecasts
(GDP growth)



Upper bound for WBG is forecast published in the June 2020 *Global Economic Prospects* report. Lower bound for WBG is severe downside scenario described in the text. July Consensus is minimum and maximum of consensus forecasts for July 2020. *Source*: World Bank Prospects Group infections worldwide in late 2020 and delays in developing and rolling out vaccines, resulting in a further global contraction in 2021.

7. **EMDEs are being hit hard by the global recession, with differentiated impacts both across and within countries**. EMDEs as a group are expected to contract in 2020 for the first time since World War II as negative spillovers from weakness in major economies compound adverse effects from domestic COVID-19 outbreaks. Commodity-exporters are particularly vulnerable – almost two-thirds of EMDEs and three-quarters of low-income countries rely on commodity exports – as are developing countries dependent on trade, tourism, remittances and FDI. The severe yet highly uneven nature of the impacts within countries poses a substantial risk to not just short-term poverty and inequality but also to the longer-term outlook for inclusive growth.

8. **Recent WBG analysis, high-frequency surveys, and reporting by local and international organizations all confirm the pandemic's growing human and economic toll particularly on the poor and vulnerable** (Box 1). By disrupting employment and essential services, the pandemic is affecting poverty, mortality, morbidity and learning – posing a huge setback to hard-won progress in human capital. Billions of jobs remain under threat, nearly 1.6 billion students globally are impacted by school closures, and tens of millions of people are falling into extreme poverty alongside growing numbers of many newly poor individuals and families. The ILO reports that an estimated 5.4 percent of global working hours (equivalent to 155 million full-time jobs) were lost worldwide during the first quarter, relative to the fourth quarter of 2019. Working hour losses for the second quarter of 2020 are estimated to have surged to 14.0 percent[3]. Remittance flows are expected to fall by one-fifth in 2020, down by $109 billion. Students stand

Box 1. Monitoring the Impact of COVID-19 on Households

The World Bank is conducting high-frequency phone surveys to monitor the socio-economic impacts of COVID-19. Surveys are under implementation and/or preparation in over 100 developing countries. Preliminary results based on a limited sample of 30 countries show:

<u>Immediate impacts</u>. Households are reporting income and employment losses and heightened food insecurity.

- Share of households reporting a reduction in income as a consequence of COVID-19 ranges from 34% in Romania to 78% in Nigeria.
- Share of households reporting employment losses among working-age adults as a consequence of COVID-19 ranges from 6.5% in Chile to 42% in Nigeria.
- Share of households that ran out of food because of a lack of money or other resources in the last 30 days ranges from 18% in Chile to 58% in Nigeria

<u>Access to services</u>. School closures have taken a toll on learning. Overwhelmed health systems have left many without access to medical services.

- Share of households where children have not been engaged in any education or learning activities since the schools closed ranges from 2% in Argentina and El Salvador to 80% in Ethiopia.
- Share of households where a member needed but was not able to access medical treatment ranges from 5% in Uzbekistan to 48% in Ecuador.

<u>Coping mechanisms</u>. Families are cutting food consumption; many report not having received income support.

- Share of households that has reduced food consumption ranges from 12% in Zambia to 65% in Cambodia.
- Share of households that has not received in-kind or income support ranges from 46% in Indonesia to 92% in Ethiopia.

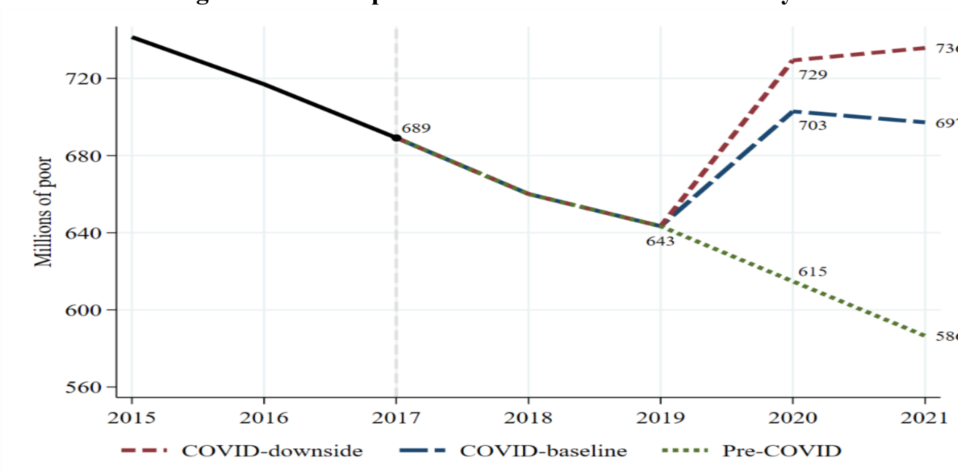
Source: World Bank, Poverty and Equity Global Practice

[3] ILO Monitor: COVID-19 and the World of Work, Second, Third and Fifth Edition, June 30, 2020.

to lose trillions of US dollars in labor earnings over their work life[4] and worsening learning inequality will have significant downstream impacts on poverty and inequality.

9. **Updated analysis confirms that poverty reduction has suffered its worst setback in decades as a result of the crisis, after nearly a quarter century of steady global declines in extreme poverty.** Under the baseline GEP forecast from June 2020, estimates are that almost 90 million more people could be living in extreme poverty in 2020 than was forecast before the crisis, and as many as 115 million more people under the June downside scenario. This means millions more extreme poor in FCSs where the pandemic is deepening existing sources of fragility and instability. The number of food insecure people could double to a quarter billion in 2020[5]. Extreme poverty is likely to persist at these higher levels in 2021, particularly in FCSs and Sub-Saharan Africa where the impoverishing impacts of COVID-19, conflict, and climate change are converging.

Figure 3. The Impact of COVID-19 on Global Poverty



Source: *Poverty and Shared Prosperity Report 2020,* World Bank, 2020

10. **The pandemic is exacerbating important specific risks for women and threatening gains on gender equality**. Women face lost opportunities and heightened exposure as caregivers and health workers. Recent surveys show that women's unemployment rates are higher given the industries and sectors where they are employed, and that women owned firms are suffering more in terms of sales, profits, and closures. Gender-based violence (GBV) has also increased.[6]

11. **Most developing countries need significant external help to mount an adequate crisis response on their own due to limited fiscal buffers and high debt risks prior to the onset of the crisis**. Averaging nearly 23 percent of GDP, advanced economies have provided substantially more fiscal support than EMs (6 percent of GDP), while low income countries have been able to provide only limited support (3 percent of GDP). Packages in developing countries with wider fiscal space on average exceed those in countries with narrower space.

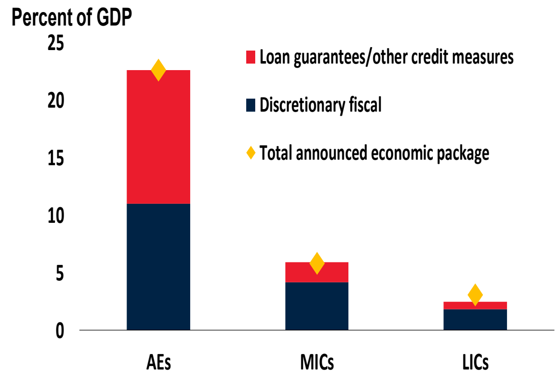
[4] World Bank Policy Research Working Paper 9284, June 2020.

[5] World Food Program, April 2020.

[6] UNWomen Issue Brief, 2020.

12. **Accelerated international action is vital for halting an unfolding socioeconomic catastrophe that poses huge cross-border risks, including for future contagions, social tensions and unrest, and new waves of displacement and migration**. The crisis could worsen existing FCV drivers and further fracture the social contract in FCSs where governments are unable to respond effectively to the public health and economic crises.[7] Coordinated, ambitious and sustained international support can help avoid a reversal of decades of development progress.

Figure 4. Fiscal Support Packages



Source: World Bank Prospects Group

II. WBG Crisis Response – Implementation Progress

13. **Operating across three stages – *Relief, Restructuring and Resilient Recovery* – and four pillars, the WBG's crisis response framework is supporting selective client engagement**. As reflected in Figure 5, the four thematic pillars of crisis response comprise: (i) Bank emergency support for health interventions aimed at saving lives threatened by the virus; (ii) WBG social response for protecting poor and vulnerable people from the impact of the economic and social crisis triggered by the pandemic; (iii) WBG economic response aimed at saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation by helping firms (including public utilities) and financial institutions survive the initial crisis shock, restructure and recapitalize to build resilience in recovery; and (iv) focused, cross-sectoral WBG support for strengthening policies, institutions and investments to achieve a resilient, inclusive and sustainable recovery by rebuilding better. The approach encompasses helping countries narrow the digital divide; build human and natural capital; and preserve global public goods like health, climate and biodiversity. Importantly, the crisis response framework is rooted in WBG comparative advantages and core principles – fighting poverty and promoting shared prosperity, sustainability, inclusion, fair burden-sharing, transparency, governance, and respect for the rule of law.

14. **Tailored to meet varying country needs, the WBG crisis response to date shows strong support for emergency relief and growing engagement on restructuring and building blocks for recovery.** Early emphasis on tackling the immediate health threat and its social and economic impacts was a key driver of crisis support in FY20 Q4. Building on this momentum, the WBG is sharpening focus on the most effective use of its limited resources in FY21 to also build resilience and start recovery – while recognizing the complexity of the crisis and widely differing impacts among developing countries. As countries make progress and start re-opening their economies, WBG support increasingly reflects the restructuring stage, including focus on strengthening health systems for pandemic readiness; restoring human capital and local communities; and restructuring and debt resolution for firms, as well as recapitalization of companies and financial institutions. Initiating resilient recovery entails taking advantage of opportunities to ensure a more sustainable, inclusive and resilient future in a world transformed by the pandemic. Throughout, the WBG has

[7] Recent data show substantial increases worldwide in incidents of mob violence, in civilian demonstrations against the state, and events were civilians are targeted by state forces since the pandemic began. ACLED, August 2020.

continued working with countries to keep a clear line of sight to long-term sustainable development goals including eliminating extreme poverty and building shared prosperity.

Figure 5. WBG COVID-19 Crisis Response operates within the Forward Look corporate strategy

FOUR PILLARS	RELIEF	RESTRUCTURING	RESILIENT RECOVERY
SAVE LIVES	Public health emergency • WBG global emergency health program and new Bank projects • Restructuring existing Bank projects	Restructuring health systems • WBG global emergency health program and new Bank projects • Mobilizing private investment to close health supply gaps	Pandemic-ready health systems • WBG global emergency health program and new Bank projects • Long-term IFC financing for private firms
PROTECT THE POOR & MOST VULNERABLE	Social emergency • Cash and in-kind transfers • Community-driven development • Restructuring existing Bank projects • Guarantees to MFIs	Restoring human capital • Cash and in-kind transfers • Community-driven development • New Bank projects • Recapitalization of strategic MFIs through IFC support	Building equity and inclusion • Cash and in-kind transfers • Community-driven development • ASAs on labor market policies • IFC lending to MFIs
ENSURE SUSTAINABLE BUSINESS GROWTH AND JOB CREATION	Economic emergency • New Bank projects and programs • Support for trade and working capital from IFC • MIGA instruments • Financing from PPPs	Firm restructuring & debt resolution • New Bank projects • IFC support to recapitalize firms • Long-term financing from IFC • MIGA instruments • PPPs	Green business growth & job creation • New Bank projects • IFC and MIGA instruments • PPPs
STRENGTHEN POLICIES, INSTITUTIONS, AND INVESTMENTS FOR REBUILDING BETTER	Maintaining focus on long-term goals • New Bank projects on fiscal strengthening and service delivery • ASAs on debt sustainability and transparency • Guarantees for SMEs and MFIs	Policy and institutional reforms • New Bank projects • ASAs on restructuring and to track progress toward shared development goals	Investments to rebuild better • Full range of Bank Group instruments, with focus on PPPs and private sector solutions • ASAs to track progress toward shared development goals

15. **Initial results indicate that progress on the ground will be non-linear, varying among and within countries**. Progress depends critically on country capacity to contain the pandemic and limit its impacts. A prolonged emergency period or secondary waves of infection could slow restructuring and recovery. The stages of the crisis and thematic response pillars do not have absolute boundaries; they inform and interact with each other. WBG interventions and multi-sector solutions may span multiple stages and pillars. While the simplified, high-level operational framework in Figure 5 guides WBG programming and client dialogue, country programs remain demand-driven and are adapting to fluid, rapidly changing circumstances on the ground.

Pillar 1 - Saving Lives

16. **Reaching 108 countries by June 2020, the WBG's emergency health response is helping clients to meet pressing needs**. By simplifying procedures and expediting processes, the WBG is helping countries to stop transmission, ensure health service delivery, protect vulnerable households' access to preventive and essential health services, and build pandemic readiness.

- As of June 30, the World Bank had approved $6.3 billion in emergency health support from IBRD/IDA, including for 33 FCSs and 22 Small States. These funds are financing critical health equipment; PPE, handwashing, water and sanitation and training. Disbursement rates average 40 percent but have reached as high as 100 percent for some projects. The WBG has combined health with social safety net support where possible, for example providing 2.4 million masks (generating 400,000 individual workdays) in the Central African Republic and producing/supplying 33,000 PPEs and 82 million masks via a project supporting microenterprises in Bangladesh (see Annex).

- Thirty countries have requested to buy various medical equipment and supplies for a total of $155 million through Bank Facilitated Procurement which facilitates access to global suppliers and negotiates prices and other conditions on governments' behalf. This has received a strong market response and very positive feed-back from manufacturers/suppliers.
- IFC's recently approved Global Health Value Chain Platform is mobilizing private investment to close the massive healthcare supply gaps faced by developing countries. The $4 billion Platform will provide financing solutions to manufacturers, suppliers, and service providers for capacity expansion and working capital to increase the supply of healthcare products and services including testing kits, treatment medicines and vaccines in developing countries.

17. **The WBG is prepared to support countries in the purchase and deployment of COVID-19 vaccines**. IFC is engaged with vaccine manufacturers to provide financial and technical support to assist them in expanding production capacity. The Bank is working on approaches for countries to use IDA and IBRD resources to finance purchases of vaccines deemed safe and effective based on country choice. To this end, a supplement to the SPRP Multiphase Programmatic Approach (MPA)[8] could accommodate the additional resources that may be needed to respond to this additional demand from clients.

Pillar 2 - Protecting Poor and Vulnerable People

18. **Centered on safety nets and community driven development, the WBG social response has had a strong start.** Priorities include: (i) targeted income and potentially food support for vulnerable households; (ii) behavior change and social care services; (iii) support to communities and local governments to cope with immediate crisis impacts; (iv) support for employment (including public works programs) for vulnerable households, informal businesses and micro-enterprises; and (v) improved delivery systems for expanded coverage, better digital delivery, and greater resilience for future shocks. The social response also encompasses Bank support for education, service delivery strengthening and gender. Country diagnostics of vulnerable groups, citizen engagement, and high frequency monitoring are guiding the Bank's interventions to adjust to the highly volatile environment and ensure support reaches those who need it most. Social response operations have already been mobilized to help governments reach 1.15 billion beneficiaries including, for example delivering cash transfers and block grants benefiting 92 percent of the population in Afghanistan and helping Indonesia leverage fiscal transfers to all 74,950 villages in the country reaching 65 percent of Indonesians (see Annex). Parallel work is underway to respond to threats to food security that are being exacerbated by COVID-19, thereby posing a major risk to vulnerable groups around the world from farmers in the Sahel, to refugees in Syria and informal urban communities in LAC. The World Bank is working with governments to monitor people's ability to buy food as well as helping governments to maintain sufficient food supplies by supporting efforts to ensure that food supply chains continue functioning and harmful trade restrictions are not imposed (Box 2).[9]

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[8] COVID-19 Strategic Preparedness and Response Program (Report No: PCBASIC0219761).

[9] Also see https://www.worldbank.org/en/topic/agriculture/brief/food-security-and-covid-19

Box 2. Targeting Food Security during COVID-19

Widespread disruption in local food supply chains is one of the pandemic's most devastating impacts, resulting in: (i) higher food prices for consumers in urban and food deficit rural areas; (ii) lower prices for food producers in rural area who have also seen their non-farm incomes severely impacted; and (iii) impaired humanitarian assistance. The emerging evidence from the World Bank High Frequency Phones Surveys show that incomes are hit as hard or more in rural areas as in urban areas, suggesting widespread income shocks.

The WBG's multi-dimensional approach to food security encompasses: (i) discouraging food trade restrictions through messaging and country engagements, (ii) monitoring food security impacts and (iii) developing a menu of policy options. In addition to social protection, the WBG crisis response supports food distribution, logistics to keep agricultural supply chains functioning, and provision of agricultural inputs for the next season. An Emergency Locust Response program is underway, covering in the first phase Djibouti, Ethiopia, Kenya, Uganda, and Yemen. Support is being provided for surveillance and response to zoonotic diseases in over 30 countries. The Global Agriculture and Food Security Program is allocating $55 million in additional grant funding. The IDA19 Crisis Response Window has been expanded to provide Early Response Financing, a new modality that supports countries' early responses to slower-onset crises such as food insecurity and disease outbreaks.

Source: World Bank, Agriculture and Food Global Practice

Pillar 3 - Ensuring Sustainable Business Growth and Job Creation

19. **The WBG's economic response, centered on <u>Jobs and Economic Transformation</u>, promotes sustainable business growth and job creation**. Working together, the Bank, IFC and MIGA have moved rapidly through policy advice and financial assistance. In FY20 Q4, the Bank delivered 12 COVID-19 economic response lending operations. These provide financial support to SMEs, including by leveraging digital financial services, as well as business advice to adjust and pivot business models. Examples include a $260 million IPF promoting access to finance for productive purposes for MSMEs in Ecuador and a $750 million DPF to support India's efforts to preserve flows of finance to MSMEs during the crisis while laying the foundations for a stronger MSME financing ecosystem in the recovery phase (see Annex). IFC has implemented an emergency economic response package to support existing private sector clients, predominantly financial institutions serving MSMEs. The prolonged economic crisis is going to have a higher impact on NBFIs which provide an essential link to the poor, underserved segments of the population and micro-small firms, IFC is therefore establishing facilities targeted at expanding access to finance for the "bottom of the pyramid" serving financial intermediaries, as well as a facility targeting private equity funds investees in Africa that will provide debt and equity capital support to these investee companies, most of which are SMEs. IFC is also developing an approach to provide urgent financing for companies who have a good business model but have been severely and inadvertently affected by the crisis. This approach aims at providing these companies with liquidity support while their financial liabilities are being restructured.

20. **The WBG is supporting the flow of credit to the real economy with the objectives of sustaining employment, preserving private sector activity and helping return to growth**. These flows operate through banks, NBFIs and funds – facilitating risk sharing schemes to create additionality and crowd-in private sector financing and capital. In those countries with limited fiscal space, public-private partnership schemes to pool and leverage resources, and mutualize risks, can play a key role. One of the additional challenges is to ensure that infrastructure service providers (including financial services providers) have adequate liquidity for continued provision of essential services such as water and sanitation, transport and electricity, and financial services.

21. **WBG support emphasizes corporate restructuring and adoption of digital technology for resilient recovery**. The WBG is supporting corporate restructuring reforms and financing solutions that would allow distressed but viable firms to remain operational and overcome the crisis which has already seen a rise in bankruptcies around the world. In addition, support to accelerate digital transformation by firms and financial institutions (including e-commerce and e-banking); and enabling market entry of new types of financial service providers are critical priorities, both to combat the immediate effects of COVID-19 and establish the foundations for a productivity-driven recovery. Already, anywhere from 10 to 50 percent of firms across countries report either increasing the use of digital solutions or investing in new ones to adapt to the crisis.

22. **Closely monitoring the pandemic's impact on global trading patterns and value chains, the WBG is providing just-in-time advice for mitigating negative trade impacts**. Support has included global advocacy for multilateral and regional efforts to avoid destructive trade policies that would limit developing countries' abilities to access critical medical and food supplies as well as the inputs necessary to produce these goods. WBG analysis includes up-to-date tracking of global trade patterns through logistics data on shipping and air traffic, and from merchandise and services trade data. The WBG also created a new database to track the effects of policies that both restrict and facilitate trade in medical and food supplies. Trade policy and trade facilitation reforms have been incorporated into DPFs, most frequently supporting temporary removal of tariffs on medical products and adoption of simplified trade facilitation procedures. In addition, IFC has ramped up its support to trade and supply chain financing through US$ 2 billion expansion of the Global Trade Finance Program in response to tightened credit conditions for financing imports to and exports from EMDEs.

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

23. **The WBG is helping countries *rebuild better* by maintaining a line of sight to long-term development goals and avoiding policy mistakes with lasting consequences**. This puts emphasis on strong Governance and Institutions including, for example, adoption by governments of technological solutions to ensure business continuity during pandemics. Starting from widely varying initial conditions, countries will need to address three fundamental priorities. The first is *rebuilding* which entails: (i) ensuring the financial sustainability of key corporate and financial entities including utilities; (ii) investing to expand and enhance digital networks while enabling the use of digital services; and (iii) driving sustainable growth and job creation through investments in joint public-private solutions together with continued focus on education, skills training and labor policies that help put people back to work. Emphasis is needed on robust prioritization and screening to identify investment needs, and smart use of stimulus and recovery packages to crowd in private investment. Climate-related taxes and/or regulations to enhance greening of infrastructure, customized to country situations and capacity, can be important elements of progress. The second priority is *reforming* to improve the enabling environment and productivity growth, including the regulatory framework, while strengthening resilience to future shocks. The third priority is *renewing* efforts to build equity and inclusion to offset the regressive impacts of the crisis and move forward on shared prosperity.

24. **DPFs have played an important role in shaping an effective crisis response and establishing conditions for resilient recovery**. Policy action and financing to ensure adequate fiscal space for crisis interventions, including to reach the poor and vulnerable as well as to maintain service delivery, are essential to successful crisis response. Specific emphasis is on

improving debt and investment transparency, and leveraging the private sector through the cascade approach, which are key steps in creating an attractive investment climate and delivering better outcomes for people in the recovery. Coordinating closely with the IMF, the WBG is focusing on: (i) enhanced debt sustainability analysis for both LICs and MICs; (ii) helping countries manage public debt vulnerabilities (including SOEs) and improve debt transparency; (iii) supporting financial management, tax and expenditure reforms to help create fiscal space while improving expenditure quality and oversight; (iv) supporting macroeconomic stability, fiscal strengthening and maintenance of service delivery – as well as selected policy and institutional reforms under the four pillars – through DPFs; (v) supporting the use of private sector solutions to lower the financial burden on the public sector; and (vi) supporting implementation of the DSSI initiative (Box 4).

25. **Support for focused and feasible policy actions is enabling the WBG to scale up the impact of its health, social and economic responses**. DPFs associated with COVID-19 response are supporting reforms agreed with governments to help the poor, boost median incomes, promote inclusion and strengthen transparency and governance. Institutional and policy actions extend across a range of areas, from a $94 million IPF to foster the development of the regional digital economy in the Caribbean to a $250 million DPF in Niger to support the country's COVID-19 response while addressing key priorities to reduce gender gaps and child marriage, boost rural access to electricity and potable water, and enhance debt transparency and management (see Annex). Moreover, DPFs that are part of programmatic series are incorporating crisis response actions while retaining focus on addressing fundamental long-term development challenges. The need to support policy and institutional reforms will remain pressing going forward, as will the need for budget financing for essential services. The WBG will continue to emphasize coordination on policy and institutional measures across development partners.

26. **Rebuilding better emphasizes climate resilience, biodiversity and food security in alignment with the IFC and IBRD capital packages and IDA19 Climate Change Special Theme.** Country goals are expressed in: (i) climate action, including adaptation and mitigation in line with each country's plans; (ii) protection and sustainable use of biodiversity, and preservation, restoration or expansion of ecosystem services as presented in National Biodiversity Action Plans; (iii) actions that promote environmental protection, climate resilience, and resource efficiency; and (iv) actions to strengthen food security and sound water management. The WBG is working with governments to eliminate costly fuel subsidies that are harmful to the climate and environment, on reforms to open markets for tech-enabled climate solutions, and on providing financing to innovative climate private sector projects for climate adaptation and mitigation. Climate and environment-informed DPFs have been developed to address issues associated with drought and flooding protection, the shift to cleaner transport, low-carbon energy sources, pollution reduction, and forest and integrated ocean management. Through these and other opportunities, the Bank helped countries to increase climate co-benefits from $14.0 billion in FY19 to $17.2 billion in FY20. The WBG total increased from $20.7 billion to $24.8 billion, including an increase by IFC from $5.7 billion to $6.8 billion (including mobilizations) and $1.8 billion from MIGA across the two fiscal years.

Regional Integration

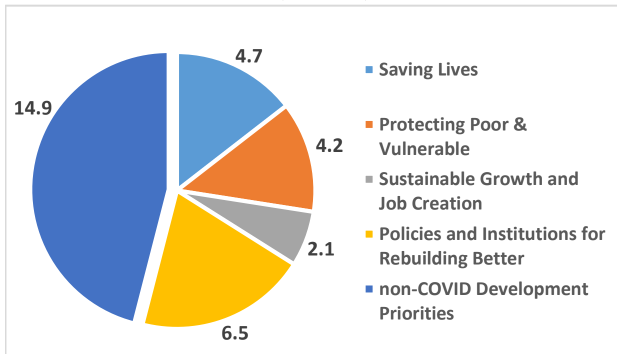
27. **As COVID-19's impacts continue to stretch across borders, WBG support for global and regional collaboration is an essential complement to country-level crisis response.** This

includes: (i) implementing regionally aligned pandemic preparedness and response plans, (ii) keeping trade flows open, (iii) focusing on zones with chronic fragility risks, and (iv) advancing the JET agenda by promoting intra-regional trade, strengthening regional value chains, building regional markets and supporting skills for a mobile workforce. The WBG provides critical value added by supporting strong regional platforms to share experiences and, where appropriate, align policy actions and investments across borders. In Africa, for example, the ongoing $670 million Regional Disease Surveillance Systems Enhancement Program has helped countries rapidly scale-up preparedness and response mechanisms. The Bank-supported Africa Center of Excellence for the Genomics of Infectious Diseases was first to sequence the COVID-19 genome in Africa, achieving this within 48 hours. Support to the Africa CDC and the West Africa Center for Cell Biology of Infectious Pathogens is promoting collaboration on testing, training, and tracking the pandemic's evolution and impact.

FY20 Q4 Outcome

28. **The WBG delivered a record $45 billion in financial support in FY20 Q4**. This includes IBRD/IDA commitments of $32 billion, of which $17 billion was directly for COVID-19 crisis response across the four pillars (Figure 6) while the remainder targeted related threats to food security, natural disasters and other urgent development priorities. IFC delivered financing of $11 billion (including mobilizations and short-term finance). This includes $3.5 billion from the IFC Fast-track COVID-19 Facility encompassing trade finance (GTFP) commitments, direct financial support for existing real sector clients, and working capital solutions to SMEs through local financial institutions. MIGA provided $2.1 billion for projects to mitigate the impact of the crisis in client countries under its Fast-track Facility. <u>Combined, IDA and IFC provided financing equivalent to approximately one percent of GDP for active IDA countries in FY20 Q4</u>.

Figure 6. IBRD/IDA Crisis Response Lending FY20 Q4
($ billion)



Source: OPCS, World Bank

29. **Trust funds and other facilities are amplifying the impact of WBG COVID-19 support.** To date, donors have agreed to transfer a total of $30 million from their Donor Balance Accounts (DBAs) to support COVID-19 response efforts in inactive countries. In addition, donors have pledged new resources ($439 million) to the *Sudan Transition and Recovery Support* (STARS) TF. Currently $4.4 million of new resources and $5 million of transfers from the *Global Financing Facility* are now available for Zimbabwe. To further help stem the spread of the virus in fragile settings and refugee communities, the Bank will launch the *Health Emergency Preparedness and Response Multi-Donor Fund* in an initial amount up to $500 million to extend vital aid on health emergency preparedness and response – this is available to West Bank & Gaza, to Jordan and Lebanon for Syrian refugees, and to member countries not in good standing with IDA.

Tracking Results

30. **The WBG is tracking the results of its crisis responses and will continue to identify needed adjustments through adaptive learning**. A high-level system to track progress includes indicators on the number of beneficiaries under the health social and economic responses. IFC is providing regular updates on its COVID-19 response across approved facilities and platforms. FY20 Q4 results include:

- Disbursement of $2.5 billion in emergency health support which has financed pandemic-related health services and supplies in over 100 countries. Promising early results are evident; for example, Benin's $10.4 million COVID-19 Preparedness and Response Project has supported setup of five COVID-19 treatment centers, 13 laboratories for testing and 89 screening centers – significantly bolstering the country's testing capacity (see Annex).
- Mobilization of social protection operations to reach over 900 million beneficiaries and Social Development operations to benefit some 250 million persons.
- IFC committed $3.5 billion under the Fast Track COVID-19 Facility, of which $1.5 billion was used to support existing clients across the real sector and through financial institutions. IFC also fully utilized the $2 billion Trade Finance Envelope as part of the Facility by June 2020 and continued to provide additional commitments as part of its crisis response efforts.

31. **The COVID-19 crisis response has reinforced the unique value of the WBG global footprint**. The vast majority of field-based WBG staff have remained in their duty stations while working from home – sometimes under trying circumstances. Despite lockdowns, WBG global teams maximized the use of virtual tools to sustain close client engagement, delivering an unparalleled surge of emergency support to fight the pandemic. The WBG has also taken steps to mitigate specific implementation risks arising from the crisis, including those arising from restrictions on travel, including to:

- Redirect resources to new client priorities and reduce required counterpart funding.
- Institute corporate reviews of COVID-19 response operations.
- Provide enhanced corporate guidance for operations through Implementation Support Group and hands-on support on fiduciary and safeguard aspects for all task teams.
- Enhance client connectivity and use of IT platforms for fiduciary oversight.
- Continue timely filing of implementation status reports.

32. **The WBG stands at the forefront of the multilateral crisis response as it deploys its financing, partnerships and platforms to help build the broad-based global coalition needed to combat COVID-19**. WBG financial support has been central to the multilateral response particularly for poor countries (Figure 7). The WBG is cooperating with the global community on the COVID-19 Accelerator to speed development of vaccines and ensure accessibility to citizens and residents of all countries, regardless of income level. Close coordination with the IMF is enhancing debt sustainability analysis and helping countries manage debt vulnerabilities and fiscal space. Cooperation with the UN is essential in FCV contexts to provide support to vulnerable communities including refugees and internally displaced persons.

Figure 7. Multilateral Financing April-June 2020
(Total Commitments, $ billion)

	WBG	IMF	MDBs
IBRD countries	15	66	---
o/w Lending	15	20	---
o/w Credit Lines	---	46	---
IDA countries	13	8	---
Blend (IBRD/IDA) countries	4	7	---
Total sovereign guaranteed	32	81	31
Non-sovereign guaranteed	11	---	14
TOTAL COMMITMENTS	45	81	45

IMF includes $46b in flexible credit line arrangements to 3 LAC countries. MDBs include EBRD, AIIB, CEB, IsDB, NDB, ADB, AfDB, IADB and EIB. WBG total includes $2b MIGA issuance under its COVID-19 Facility. *Source*: DFI, World Bank

III. WBG Crisis Response – Leaning Forward Selectively in FY21

33. **The WBG is sharpening focus on the most effective use of its limited resources in helping countries build resilience and start recovery in FY21** – while recognizing the complexity of the crisis and widely differing impacts among developing countries.

- Country teams are preparing notes on *Country Program Adjustments Responding to COVID-19* that will be shared with the Board as part of project documentation. These Adjustments reflect selectivity and are based on complementarity, burden sharing, comparative advantage and anticipated impact. Multi-sector collaboration and approaches, including with other donors and local actors, are encouraged.
- Emphasis is on *a cohesive response utilizing the Cascade to leverage synergies across the WBG* including in the design of financial instruments and solutions (e.g. risk sharing facilities to support SMEs, microfinance and bottom of the pyramid enterprises).
- *WBG analytical work, policy dialogue, and technical assistance* will assist governments and private sector clients to make difficult choices, navigate trade-offs arising from the crisis, and adapt to the post-crisis world.
- *Early lessons from the initial phase of crisis response* (Box 3) are being incorporated through adaptive learning.
- While leaning further forward on COVID-19, *the WBG will continue to respond to other urgent development priorities* such as natural disasters, climate change, and national (e.g. Lebanon) and regional crises (e.g. cross-border locust outbreak).

34. **Total WBG financing is expected to reach $115 billion in FY21, a 28 percent increase over FY20**. Lending is complemented by a major push on analytical and advisory services for clients. WBG advisory services are connecting across government and the private sector – linking initiatives and helping build platforms to support safe reopening, restructuring and recovery. The Bank is also stepping up core diagnostics such as Public Expenditure Reviews, Poverty

Assessments and Country Economic Memorandums to help countries manage new challenges arising from the crisis.

Box 3. Early Lessons from the WBG Emergency Health Response

- *The MPA instrument, streamlined procedures and delegated approval have facilitated rapid and effective response* to the pandemic with a simple design adaptable to country needs.
- *Reallocations of the existing portfolio have played a major role* in the emergency response facilitated by the use of Contingent Emergency Response Components (CERCs). CERCs help to enhance preparedness by having countries define in advance general arrangements and approaches to emergency response.
- *Technical teams are providing real-time support to country teams* on issues such as safeguards, legal covenants, financing and the use of templates and portals.
- *Given the nature of the emergency response*, the results chain is focused more on short-term inputs and outputs around relief, than on longer-term outcomes such as pandemic readiness. Further efforts will be needed for strengthening health system capacities and meeting longer-term corporate commitments in heath.
- *Teams are using real-time data* (e.g. on the limitations of ventilators and more effective treatments using oxygen concentrators and patient-proning techniques) *to make rapid adjustments and course corrections*. Similar adaptable approaches are being deployed across all dimensions of the WBG crisis response.

Source: World Bank, OPCS

35. **Management will make available up to $35 billion in IDA resources in FY21 to help poor countries respond to the crisis and meet long-term development needs**. For grant-eligible countries where updated DSAs indicate a deterioration in debt risks, IDA financing terms will be immediately adjusted in FY20 and FY21. Up to $1 billion in grants has been set aside within the Refugee Window for COVID-responsive operations with substantial policy content, and a strong pipeline of operations is emerging. Management has extended the timetable for countries to recommit IDA18 cancelled credit/grant balances to the end of FY21. IDA19 graduates Mongolia and Moldova will benefit from temporary CRW access in FY21, and a pause in the application of the accelerated repayment clause for IDA credits. About two-thirds of operations in the FY21 pipeline are expected to address COVID-19 priorities under the four crisis response pillars including health system strengthening, safety nets, micro-finance, education and digital.

36. **IBRD country lending envelopes are guided by core principles and policy commitments**. These include considerations of equity across members, commitments made in the 2018 Capital Package, consistency with IBRD's exposure management framework, and directing resources where most needed. Many factors affect how much IBRD clients are able to borrow. In addition to risk considerations that apply to all countries – including single borrower limits, capital adequacy and considerations of fairness are also key factors. A robust governance structure is in place to ensure fairness and focus on maximizing development outcomes. A single IBRD allocation framework, following Board discussion in June, harmonizes terms across the $10 billion crisis buffer and the $25 billion regular program. Regarding shares to above and below GDI countries, excluding cancellations and restructurings, below-GDI countries could receive $22.5-24.5 billion of IBRD financing in FY21 and above-GDI countries could receive $10.5-12.5 billion.

37. **Current estimates indicate that IFC can provide on the order of $30-35 billion in FY21 in short term, long term and mobilized funds through guarantees, debt and equity products**. IFC has started implementing its Phase 2 response including through scalable programs and facilities to support recovery efforts aligned with the JET agenda. In addition to the Global Health Value Chain Platform, programs and approaches are under development across microfinance and bottom-of-the-pyramid serving institutions; SMEs targeting financial

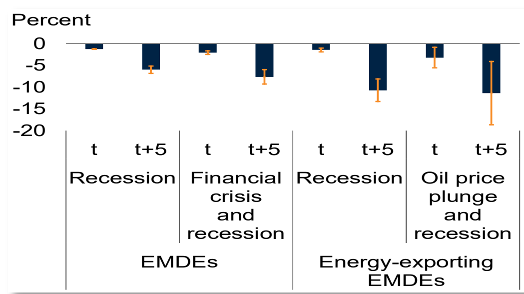
intermediaries; and larger corporates in hard-hit sectors such as transport, energy, telecoms, water, textiles and tourism. IFC is also working on: (a) mechanisms to support companies with fundamentally sound business models but requiring financial restructuring in light of the crisis, (b) financial support to investee companies across IFC's private equity Fund investments, (c) critical equity and mezzanine capital instruments to strengthen and restructure balance sheets of banks and large firms, (d) investments in private equity and venture capital funds to support growing SMEs and start-ups, digital in particular, as well as (e) mechanisms to crowd-in institutional investors to provide access to liquidity through debt markets for emerging market companies at sufficient scale to limit downside economic risks from the pandemic and associated tightening in credit markets.

IV. Medium-term Outlook

Developing Country Prospects and Financing Needs

38. **Developing countries face the prospect of a lost decade ahead**. Past recessions were associated with large and lasting potential output losses in EMDEs (Figure 8). Historically, five years after a recession, EMDE potential output was about 6 percent below baseline and five years after recessions with financial crises, EMDE potential output was about 8 percent lower. For energy exporting EMDEs, recessions accompanied by oil price plunges were particularly damaging: on average, five years after such episodes, potential output in energy exporters was about 11 percent below baseline. The impact of the COVID-19 pandemic on productivity growth may be more pronounced than that of earlier epidemics. The substantial economic dislocations, deep recessions and heightened uncertainties from the pandemic may dampen capital accumulation. Consumer behavior may also change. Concerns about long-term viability and resilience of multinational operations may lead to a retreat from global value chains—which would choke off an important channel for international technology transmission—and depress FDI. Steep income losses and disruptions to schooling could increase dropout rates and set back a generation of children.

Figure 8. EMDE Potential Output after past Recessions and Crises



Data and methodology are detailed in the June 2020 GEP report. Charts show impulse responses for 75 EMDEs from local projections model. Year t is the year of the event. Dependent variable is defined as cumulative slowdown in potential output after a recession event. Bars show coefficient estimates; vertical lines show 90% confidence bands. *Source*: World Bank

39. **Exceptional crisis-related expenditure needs will leave most EMDEs with limited choices and difficult policy tradeoffs**. Economic activity will not recover immediately with negative implications for domestic revenue mobilization and foreign exchange earnings. Public sector financing needs will be significantly above pre-crisis levels with unplanned expenditures on crisis recovery and higher debt service – all added to pre-crisis programs and services that will urgently need to be restarted. Private sector financing needs will also rise as many firms and financial institutions will need urgent restructuring and recapitalization. With domestic financing impaired, many EMDEs will likely seek increased foreign financing. External financing needs for

active IDA countries could increase by up to $100 billion per year; for IBRD borrowers, the increase could be up to $600 billion annually[10].

40. **While multiple scenarios can be envisaged, financing prospects for many LMICs and LICs are likely to remain uncertain for a prolonged period**. Financial market conditions have eased since the historic flight to safety in March, but many EMDEs with market access, particularly those at sub-investment grade, remain highly vulnerable to shifts in market sentiment or tightening monetary conditions. The funding needs of advanced countries might crowd out those of EMDEs and LICs. The level of risk aversion could increase, reflected in higher credit risk and shorter maturities although this could be partially offset by low interest rates given the vast liquidity currently in the international financial system.

41. **A substantial share of developing countries already showed signs of over-indebtedness before the crisis, and the pandemic is worsening the situation substantially**. Government debt to GDP ratios are now projected to increase by about 9 percentage points for EMs and 7 percentage points for IDA countries in 2020[11]. Developing countries with large fiscal deficits or large debt burdens are particularly vulnerable including IDA countries at heightened risk of debt distress. The realization of macro-financial risks in some EMDEs may lead to calls on the sovereign's implicit and explicit contingent liabilities. Banks may see a sharp rise in non-performing loans (NPLs) and be discouraged from taking on new risk and lending to the real economy, impacting potential growth. New bouts of debt distress and/or financial instability are possible and will become more likely in the absence of stepped-up external support.

Box 4. Implementing the G20 Debt Service Suspension Initiative (DSSI)

The IMF and World Bank are supporting implementation of the COVID-19 DSSI endorsed by G20, including through monitoring spending, enhancing public debt transparency and ensuring prudent borrowing. The DSSI benefits 73 IDA and UN Least Developed countries by offering to suspend debt service payments from May through December 2020. The G20 is considering extending the DSSI into 2021.

There has been significant progress with DSSI implementation. As of mid-August, 43 countries are benefitting from $5.3 billion in debt service suspension from the initiative, complementing World Bank net financing flows to DSSI countries in FY20 of $11 billion. The participation rate is about 60 percent, accounting for more than 75 percent of potentially eligible bilateral debt service under the DSSI based on World Bank estimates. Participating countries are diverse, with the greatest share in Africa (67 percent). More than half are at high risk of debt distress or already in debt distress. Thirteen of the 23 countries that have issued a Eurobond are participating. Nineteen participants are fragile states and 11 are Small States. Nineteen countries have firmly indicated that they are not interested in the initiative, including cases where benefits from participation are limited. Participating countries been reluctant to request private sector participation and incentives for private creditors are limited.

Enhanced fiscal and debt transparency is central to the DSSI's objectives. The World Bank recently launched the DSSI website which is updated continuously, publishes information about participation status, current debt sustainability ratings, and potential debt service suspension amounts from DSSI based on the World Bank's International Debt Statistics database.

Source: World Bank, MTI Global Practice

[10] See WBG COVID-19 Crisis Response Approach Paper, Table 2. For countries eligible for the DSSI, external financing needs are estimated to increase from $90 billion per year on average over 2015-19 to $179 billion in 2020. See WBG-IMF Joint Paper on Implementation and Extension of the DSSI, September 2020.

[11] The IDA figure refers to DSSI-eligible countries. See WBG-IMF Joint Paper on Implementation and Extension of the DSSI, September 2020.

42. **Broad-based international action is needed for both LICs and MICs**. The WBG and other MDBs are providing positive net flows for urgent interventions that impact the poor and vulnerable, including highly concessional financing for poor countries. However, exceptional support from IFIs will not suffice. The G20 Debt Service Suspension Initiative for poor countries announced in April represents an important step forward (Box 4), but much more will be needed.

- A one-year extension of the DSSI is recommended and all public and publicly guaranteed bilateral debt should be covered.
- The G20 should explore further options to secure private creditor participation.
- DSAs are being undertaken jointly by WB/IMF to look at longer-term sustainability concerns.
- There is an increasing need to facilitate debt resolution for countries with unsustainable debt including systematic work on reducing stocks of sovereign debt to official bilateral and commercial creditors for countries at elevated risk of debt distress.
- Full transparency of fiscal expenditures and public debt is critical to successful outcomes.

WBG Financial Capacity

43. **Sustained exceptional support will be critical as developing countries struggle to overcome the COVID-19 crisis, transition to recovery and progress on rebuilding better**. The likelihood of massive financing gaps combined with growing debt vulnerabilities of many countries, highlights the importance of the WBG having the financial capacity to continue to lean forward over the medium term in a context of multilateral coordination and equitable burden-sharing via bilateral and private creditor participation in initiatives such as the G20 DSSI. Ensuring robust WBG financial capacity is critical given the extraordinary uncertainty regarding the depth and duration of the crisis.

44. **A review of recent historical experience of World Bank crisis lending highlights the integral role of exceptional lending from IBRD and IDA in previous crises**. Analysis of WBG lending during recent crisis episodes underscores the following:

- IBRD's lending trajectory showed a strong lending surge in previous crises. In particular during the 2008-09 global financial crisis, the substantial headroom due to the capitalization relative to exposure at the time, enabled a lending surge in FY09-10. In comparison, IBRD's current headroom constrains the extent of leaning forward beyond FY21 that is prudent.
- IDA countries were less affected by the Asian and Global Financial crises as many IDA countries were less integrated into international trade and capital markets compared to today; while these countries are now equally exposed to the coronavirus pandemic.
- WBG lending represented a significant portion of the overall IFI response to the global financial crisis including IMF, both in terms of commitments and of disbursements (where the WBG led all others).

45. **Developing country needs will remain elevated beyond FY21 and sustained WBG support will be needed**. Initiating discussions around the adequacy of IBRD/IDA financial capacity is called for in light of the 40 percent contraction in lending capacity projected beyond FY21.[12] This includes an assessment of the longer-term resource gap between World Bank capacity and country needs in the post-COVID-19 world, including linkages with WB/IMF debt sustainability assessments.

[12] See: WBG COVID-19 Crisis Response Approach Paper, Chapter IV.

46. **While IFC's pre-COVID-19 capital position was strong, expected losses due to the crisis will constrain IFC's financial capacity**. The deliberate slowdown in equity commitments over the past 4 years and the recently approved IFC capital increase did set IFC up well for a strong response to the economic effects of the COVID-19 crisis, provided its capital increase encashments proceed swiftly. With rising public debt sustainability concerns, the private sector will require even more resources to support the restructuring and recovery phases. As such, demand for IFC resources is likely to grow further over the next few years. IFC's capacity to meet this demand beyond FY21 will depend on: (i) the speed of the IFC capital increase encashments, (ii) the depth and length of the economic crisis as it affects the performance of IFC's existing portfolio, especially its equity investments, and (iii) any additional measures that could be taken to balance future private sector demand in light of COVID-19 and IFC's long term financial sustainability and capital adequacy, and that are to be further discussed and agreed with IFC's shareholders.

IV. Conclusions

47. **As the COVID-19 pandemic continues to spread, the world community will likely face prolonged economic and social challenges that call for intensified action**. Together with other multilaterals, the WBG is at the forefront of delivering historic support across the membership in FY21 with a particular emphasis on low-income countries. This builds on record WBG financial support of $45 billion in the last quarter of FY20. Ensuring positive net transfers for EMDEs is critical for enabling robust responses to the crisis by developing countries. Yet this is not enough. The financing must be well spent – protecting the poor and vulnerable, boosting pandemic-readiness, building human capital and enabling the environment for jobs and economic transformation. To this end, the WBG's crisis response approach is anchored in thematic areas and policy priorities as well as the operational and financial frameworks for scaling up impact in a world transformed by the coronavirus. It encompasses efforts to build the critical global coalition at the scale needed to flatten the curve of the pandemic and steepen the curve of recovery. While operational risks for the WBG are high in an uncertain environment in which the coronavirus continues to spread and cures remain elusive, the risks of inaction are immeasurably higher. Speed, agility, adaptive learning, flexibility and mid-course adjustments will be critical.

48. **The WBG is delivering on its commitment to provide $160 billion in financial support over the 15-month period from April 2020 through June 2021, but further exceptional support will be needed beyond FY21**. The incremental financing needs for developing countries arising from the crisis remain uncertain, but they will be exceptionally high and likely to persist over the medium term. The needs of LICs, FCSs and Small States are particularly acute. Responding to such an extraordinary crisis had not been anticipated in recent shareholder agreements regarding financial capacity. <u>Initiating discussions around the adequacy of WBG capacity for supporting resilient, inclusive and sustainable recovery within the context of equitable burden sharing and continued support from the international community merits further consultation with shareholders and IDA Deputies</u>.

Annex 1: Selected WBG COVID-19 Crisis Response Projects

Pillar 1 – Saving Lives

- In **Central African Republic,** the Londo ('Stand Up') Project (P166943) provides temporary employment to vulnerable people and facilitates access to basic services nationwide, including the most remote areas. In response to COVID-19, the project has produced more than 2.4 million masks and generated 400,000 individual workdays providing livelihoods to 18,000 tailors. The project plans to produce 10 million masks and generate more than 1.6 million workdays and inject about $17 million into the local economy.

- In **Bangladesh**, Sustainable Enterprise Project (P163250) provides support to increase adoption of environmentally sustainable practices by targeted microenterprises. The project has produced or supplied 82 million masks and 33,000 PPEs. In addition, the project has provided livelihoods support to 134,000 and cash transfers to 18,000 beneficiaries.

- In **Benin**, the COVID-19 Preparedness and Response Project (P173839) ($10.4 million) was disbursed rapidly after approval (97% disbursed as of July 2020). The project supported the setup of five COVID-19 treatment centers, 13 laboratories for testing and 89 screening centers, thereby significantly strengthening the testing capacity and availability of treatment infrastructure in a country that was at the outset of the pandemic rated as red by the WHO.

- Implementation of **Ethiopia**'s national emergency response efforts are progressing significantly and producing results. To ensure a comprehensive approach to supporting Ethiopia's health system during the pandemic, the FTCF COVID-19 MPA supported operation (P173750) and the Health MDG Support Operation Program for Results (P123531) are together financing critical inputs to the national response, such as PPE for frontline health workers providing essential (including non-COVID-19 related) health services. Initial results include: (i) establishing a national Public Health Emergency Operation Center to coordinate the preparedness and response efforts for COVID-19 using an Incident Management System; (ii) improving the national capacity for COVID-19 testing; (iii) setting up screening points and temporary isolation units; and (iv) establishing surveillance and contact-tracing mechanisms such as toll-free call centers that are running 24/7.

- **The Gambia** COVID-19 Preparedness and Response Project (P173798) has committed $10 million and disbursed $7.35 million as of July 2020. The project has supported the procurement of critical PPEs and medical equipment, the construction of a new national emergency treatment center, the renovation of isolation centers, and is supporting risk communication and community engagement.

- The Emergency COVID-19 Project in **Papua New Guinea** (PNG) has quickly delivered much-needed assistance. Disbursements reached 77 percent within the first five weeks of effectiveness in a country where World Bank projects can typically take up to a year to register substantial disbursements because of slow country systems. To date, the project has delivered all PPEs procured under the operation; trained a first cohort of frontline service providers and health system managers; and launched a nationwide risk communications and community engagement campaign that is targeting urban settlement communities and many of the country's remote Highlight communities.

- **Yemen**'s COVID-19 Response Project is part of the MPA-Program and is financed by an IDA grant of US$26.9 million from the Fast Track COVID-19 Facility. WHO is the grant recipient and implementing agency. To date, $12 million (45% of the grant) has been disbursed. The operation will support the procurement of goods, including medical and lab equipment, testing kits, and infection prevention control materials (e.g. disinfectant and soap) as well as for printing forms, transportation of test samples and third-party monitoring; as well as to cover hazard pay for the health workers. The MPA operation is complemented by a CERC activation under the ongoing Yemen Emergency Health and Nutrition Project, which will finance UNICEF's activities for COVID-19, including PPE to health workers at primary health facilities and community volunteers, risk communication and community engagement and WASH activities.

- The **Argentina** COVID-19 Response Project has started 19 activities for the procurement of goods and personal protective equipment (PPE): 11 under direct contracting processes and 8 under competitive processes. As of end-July, 13 contracts had been signed, of which 6 contracts financed under retroactive financing and 3 contracts under the Bank Facilitated Procurement option with Philips, Siemens and Meheco. Arrangements regarding logistics from China are being done under a separate contract which is being negotiated with the World Food Program and with the local airline.

Pillar 2 - Protecting Poor and Vulnerable People

- In **Afghanistan,** the Citizen's Charter Project (P160567) and COVID-19 Relief Effort for Afghan Communities and Households (REACH) (P174119) projects provide support at the community and household levels in response to COVID-19, including cash transfers for vulnerable groups and block grants to communities to reach vulnerable households with food and medical supplies. The Citizen Charter and COVID-19 REACH projects together will reach 35 million people across 34 provinces in Afghanistan.

- In **Solomon Islands**, the Community Access and Urban Services Enhancement (CAUSE) Project (P161320) supports the delivery of basic infrastructure and services by providing skills training, short-term job opportunities, and income generation for vulnerable people, including unemployed youth and women. In response to the COVID-19 pandemic, the project is providing income/consumption support and delivering additional investments in the waste management, transport and informal sectors to help stimulate the local economy. The project is expected support approximately 84,000 people.

- **India** took extraordinary public health measures to counter the spread of the COVID-19 pandemic, curtailing the movement of people and goods through a complete lockdown impacting 1.3 billion persons. The government provided temporary income support that reached 800 million beneficiaries including, inter alia, top-up for three months to in-kind benefits of food delivered to all poor and vulnerable households identified by the Public Distribution System, cash transfers made directly into the bank accounts of beneficiaries identified by five of the country's largest cash-transfer programs and portable support for migrant workers. The World Bank has supported these initiatives with a $750 million DPF (P173943).

- The Government of **Mongolia** has exempted social insurance contributions for six months for about 520,000 workers and 38,000 employers to leave a little more money in the hands of workers and preserve employment. Budgetary funds supplement the insurance fund to allow unemployment insurance to be paid. The Bank supported a portion of the costs through a restructuring of an employment service project (P159215) and a new emergency relief and employment support project (P174116).

- In **Kyrgyz Republic**, the Agricultural Productivity and Nutrition Improvement Project (P132754) was restructured to respond to the government's concerns about the food security situation due to COVID19 and by wheat/flour export ban imposed by Kazakhstan. At the government's request US$2.3 million from the project was re-allocated to purchase of seeds and fertilizers for about 7,800 farmers in 30 target Water User Associations.

- In the **Horn of Africa: Djibouti, Kenya, Ethiopia and Uganda**, the Development Response to Displacement Impacts Project (P171409) mitigates the impacts of forced displacement by supporting refugees and host communities who are amongst the poorest, most underserved, and fragile populations in the region. In response to COVID-19, the project is using its community delivery mechanism to scale up emergency assistance to cover three million beneficiaries who will be provided with health information and assistance, water and sanitation services, and income and livelihoods support.

- In **Bangladesh**, the COVID19 pandemic led the government to implement a national shutdown from March to May to mitigate the outbreak of the virus. The country's agricultural sector was hit especially hard. Production and marketing of fresh products from the livestock sector have been particularly negatively impacted. Through the Livestock and Dairy Development Project (P161246), the Ministry of Fisheries and Livestock and the World Bank worked together to activate $100 million of emergency support to protect livelihoods and help business continuation for vulnerable groups in the livestock sector. The emergency funds will finance disaster relief and post-disaster emergency recovery expenditures. In total, 200,000 poultry and 420,000 dairy farmer households in 61 districts of Bangladesh will receive cash for business continuation. As women carry out the bulk of the work at the smallholder dairy farms and often also care for traditional poultry farming, they will benefit especially from the emergency assistance.

- In **Indonesia**, the Institutional Strengthening for Improved Village Service Delivery Project (P165543) assists the government to leverage its own fiscal transfers to all 74,950 villages in the country reaching nearly 176 million Indonesians. Village funds have been redirected for the COVID response to include income support, health information, community targeting assistance to identify the new poor and vulnerable, and remote area social monitoring. A new unconditional cash transfer program uses a community-based targeting mechanism to reach an estimated 12 million vulnerable households who otherwise would not have been reached. The village funds are also being prioritized for an expanded cash for work scheme, alongside infrastructure investments to address unemployment.

Pillar 3 - Ensuring Sustainable Business Growth and Job Creation

- The **Mexico** Financial Access DPF supports both initial response measures as part of the relief efforts, as well as measures targeting a solid and more resilient economic recovery. This DPF supports actions to increase liquidity in the financial system and encourage lending to firms and households; and measures to enable a better operation of the digital finance ecosystem and electronic payments. These actions include measures to enable digital technology solutions, bridge access gaps among specific vulnerable groups and MSMEs, support expanded delivery of social transfers, and ease financial intermediation.

- **Bangladesh** has taken a 'JET Country Program' approach to target productivity growth, resilience and support for workers in a series of projects. This program brings together multiple Global Practices and a diverse IFC engagement from the 'Better Work' advisory on working conditions in the garment sector to investments in light manufacturing. The second Jobs DPF is expanding the protection of jobs in both the formal and informal sectors in the relief stage. It focuses on the trade and investment areas as key for restructuring, as well as helping diversify; and for recovery, continuing to accelerate diversification and safety nets to ensure reliance.

- The **Bangladesh** Private Investment & Digital Entrepreneurship IPF seeks to promote private investment and job creation in economic zones and software technology parks in an environmentally sustainable manner to generate $3.4b in private investment, create 37,000 jobs, and help lower greenhouse gas emissions by 30,000 tons in 5 years. This project identifies and supports key productivity channels (e.g. greater integration and supporting diversification and reallocation as well as upgrading skills and various digital programs), while strengthening the cross-cutting foundations that underpin worker protection and enhanced sustainability.

- In **India**, the Micro, Small and Medium Enterprises Emergency Response DPF will support the government in preserving flows of finance to MSMEs through the COVID-19 crisis and lay the foundations for a stronger MSME financing ecosystem in the recovery stage. The project has three pillars: (i) channeling financing flows to MSMEs, (ii) strengthening NBFCs, and (iii) incentivizing the use of Fintech and digital channels in MSME lending and payments. Short-term measures focus primarily on addressing liquidity and cash constraints to avoid worker layoffs from, and closure of, viable firms – thus preserving jobs, livelihoods, and productive capacity. This DPF is part of a comprehensive set of interventions to support MSMEs in India to be delivered by the World Bank and IFC. These interventions aim to address structural reforms to increase MSME productivity and financing in the economic recovery phase, crowding in private sector financing in the medium term, and tackling long-standing financial sector issues that are holding back the growth of India’s real sector.

- In **Ecuador,** the Promoting Access to Finance for Productive Purposes for Micro, Small, and Medium Enterprises IPF supports the National Financial Corporation in the context of the COVID-19 crisis to: (i) strengthen the Corporation’s institutional capacity and participating financial intermediaries, (ii) develop and/or improve financial products to promote access to finance for MSMEs; and, (iii) create and expand second-tier lending operations for MSMEs; through the expected provision, via participating financial institutions, of at least 3,500 MSME loans for productive purposes. The project is part of a broader engagement aimed to modernize the banking sector in Ecuador and create an efficient public development bank that complements and leverages the private sector.

- In **Vietnam**, IFC provided a financing package of $75 million to Phu My Hung Development Corporation to help sustain its property development operations in the wake of COVID-19 impacts. This investment will allow the company to extend financial relief to clients, suppliers, and contractors along its property value chain, helping preserve jobs and contributing to a resilient local economy. The bond financing was the first IFC COVID-19 response project in Vietnam under the Real Sector Crisis Response Facility.

- In **Cote d’Ivoire**, IFC provided a €25 million, one-year senior loan to NSIA Banque Côte d’Ivoire (NSIA), allowing the bank to extend new trade-related or working capital loans to companies whose cash flows have been disrupted by the Covid-19 pandemic. The loan was IFC’s first investment in Côte d’Ivoire as part of its global COVID-19 fast-track financing support package, designed to help client financial institutions — and the thousands of smaller businesses they support — weather COVID-19-related disruptions. IFC’s loan to NSIA was supported by the IDA PSW Blended Finance Facility.

- In **Mauritania**, IFC provided $35 million as part of a $200 million credit facility arranged by Societe Generale to enable Addax Energy S.A. to deliver critical energy imports to Mauritania, which relies heavily on imported petroleum, thereby supporting jobs and economic activity in key sectors. The facility will help Mauritania secure vital petroleum product imports for the next six months to keep its economy moving amid supply chain challenges caused by the COVID-19 pandemic.

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

- The Caribbean Digital Transformation Project is supporting the small island countries of **Dominica, St. Vincent and the Grenadines, St. Lucia and Grenada** to leverage technology to both respond to the immediate needs in the wake of COVID-19 as well as to rebuild better. It supports development of the regional digital economy. It also supports digital transformation of government operations and public service delivery to enable efficient, contactless transactions and services and to ensure quick response capabilities following shocks such as a pandemics or hurricanes. The project is expected to benefit over 500,000 residents through activities such as provision of tablets or laptops for every student to learn online, policy and regulatory reforms to increase access and affordability of broadband and digital financial services, moving public services online and digitizing social cash transfers, assisting businesses to adopt digital technologies to improve productivity and reach new customers online, and finally, equipping individuals with the digital skills needed for the economy and jobs of the future.

- The West Africa Regional Energy Trade DPF is sustainably increasing regional electricity trade in six participating countries, **Burkina Faso, Cote d'Ivoire, Guinea, Liberia, Mali, and Sierra Leone**, with spillover effects for all member countries of the Economic Community of West African States (ECOWAS). The DPF supports a common set of policies and reforms that the ECOWAS countries have determined as key for cementing the pillars of sustainable electricity trade. This will help: (i) reduce costs and the burden of the sector on the fiscal accounts; (ii) increase energy supply options and resilience; and (iii) enable regional indigenous resources to displace fossil fuel imports and thus reduce the vulnerability of economies to international oil and gas price fluctuations. This program will not only help maintain secure strategic electricity supplies through the COVID-19 pandemic for critical healthcare, communication and education services, but also contribute to economic recovery and job creation going forward.

- In **Niger**, the Second Inclusive Development DPF (P173113) is helping mitigate the impact of the COVID-19 pandemic while sowing the seeds for resilience and faster economic recovery. The DPF, which is the second is a programmatic series, was adjusted to respond to urgent COVID-19 needs, but also continues to address long-term development challenges in the areas of reducing gender gaps and child marriage, expanding rural access to electricity and potable water, and enhancing debt transparency and management. As part of the COVID-19 response, the following measures were added: a cash transfer program for the poorest and vulnerable households impacted by the COVID-19 crisis; and a transparent financing mechanism for utility companies (water and electricity) to waive utility bills for the poor and vulnerable households while maintaining their financial stability.

- The First Fiscal and Decarbonization Management DPL (US$300 million, P171912) in **Costa Rica** aims to support the country's program to: (i) protect people's income and jobs from the impact of COVID-19 and foster small and medium enterprise recovery; (ii) reinforce fiscal sustainability in the aftermath of COVID-19; and (iii) lay out the foundations for a strong post-COVID-19 recovery by promoting green growth and low-carbon development. Costa Rica, a worldwide leader in environmental management policies with strong commitment to modernizing and revitalizing the economy through a green growth lens, enacted a major fiscal reform in 2018 to put the country's debt on a sustainable path. The social and economic impact of COVID-19, however, has slowed down the fiscal adjustment and resulted in a sharp contraction of the economy. This operation supports the government's fiscal consolidation efforts through measures to broaden the tax base, contain the wage bill, and improve debt management. It also supports the system needed to register, track and analyze low-carbon development initiatives.