



## **CROSS-CUTTING ISSUES IN IDA20**

**June 11, 2021**

## ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30

All dollar amounts are US dollars

ASP	Adaptive Social Protection	IPC	Integrated Food Security Phase Classification
CAT-DDO	Catastrophe Deferred Drawdown Option	IPF	Investment Project Financing
CERCs	Contingency Emergency Response Components	JET	Jobs and Economic Transformation
CF	Common Framework	LIC	Low-Income Countries
CRW	Crisis Response Window	MDB	Multilateral Development Bank
DPF	Development Policy Financing	MPA	Multipronged Approach to Address Debt Vulnerabilities
DSA	Debt Sustainability Analysis	MTR	Mid-Term Review
DSF	Debt Sustainability Framework	NGOs	Non-Governmental Organizations
DSSI	Debt Service Suspension Initiative	PforR	Program-for-Results
FCS	Fragile and Conflict-Affected Situations	PPA	Policy and Performance Action
FCV	Fragility, Conflict and Violence	PPG	Public and Publicly Guaranteed
IDA	International Development Association	SDFP	Sustainable Development Finance Policy
IDA20	Twentieth Replenishment of the International Development Association	SDGs	Sustainable Development Goals
IFF	Illicit Financial Flows	SME	Small and Medium Enterprise
IMF	International Monetary Fund	SOE	State-owned Enterprise
		WBG	World Bank Group
		WFP	World Food Programme

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## EXECUTIVE SUMMARY

i. **The COVID-19 pandemic and its consequences are setting back the world’s low-income and fragile countries and putting in peril the World Bank Group’s (WBG) Twin Goals and the Sustainable Development Goals (SDGs).** The global outlook remains uncertain, with major risks around the path of the pandemic and the possibility of financial stress.<sup>i</sup> The devastation caused by the pandemic is a stark reminder of the need to invest in crisis preparedness and to strengthen governance and institutions for better resilience. The effects of the pandemic also underscore that many International Development Association (IDA) countries remain burdened by unsustainable debt levels, which need to be addressed. As we confront these issues, technology will be central to the recovery. By adopting a cross-cutting approach to build a stronger foundation for development, IDA countries will be better placed to stop the ongoing crisis, preempt and respond to future ones, and generate longer-term beneficial effects.

ii. **The WBG remains strongly committed to strengthening the foundational building blocks for sustainable development.** IDA20 identifies four priority Cross-Cutting Issues as foundational - *Crisis Preparedness; Governance and Institutions; Debt; and Technology* - and adopts targeted Cross-Cutting Issues-linked policy actions and commitments to deepen IDA’s impact. The Cross-Cutting Issues are instrumental to progress towards more inclusion, greater resilience to future shocks, higher levels of economic diversity and productivity, and better prospects for future generations.

iii. **Significant foundational weaknesses in Cross-Cutting Issues were evident even before the pandemic outbreak.** These weaknesses included, but were not limited to, inadequate systems to manage crises, poor debt transparency and significant fiscal risk, poor management of public resources, uneven service delivery, and sizeable gaps in digital access and usage compared to non-IDA countries.

iv. **The pandemic exposed new and critical gaps with significant impacts on countries’ ability to respond and recover.** The effects of COVID-19 and ensuing lockdowns laid bare the inadequacy of crisis preparedness systems to stage effective responses. They also made evident crucial governance issues, including those related to crisis management, administrative systems’ ability to raise and spend adequate public money at a time of crisis, and the management of dramatic increases in debt accumulation. The risk is evident of further deterioration in IDA countries’ debt sustainability as governments and financial systems finance the recovery. The Sustainable Development Finance Policy (SDFP) will continue to be an important element of addressing debt sustainability, but successful outcomes require complementary macroeconomic and growth adjustments, and sustained and coordinated support by other creditors. Finally, the effects of the pandemic have thrown into stark relief the need in IDA countries for significant investment in digital infrastructure and digital applications across critical sectors.

v. **To meet the demands of this moment, IDA20 needs to double down on the work in IDA19 to close pre-Covid structural gaps, while urgently taking on the new challenges posed**

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<sup>i</sup> World Bank. 2021. Global Economic Prospects, June 2021. Washington, DC: World Bank. <https://openknowledge.worldbank.org/bitstream/handle/10986/35647/9781464816659.pdf>

**by the pandemic and its effects.** IDA20's most critical priority is to address the health effects of the ongoing pandemic by strengthening health systems and accelerating access to vaccinations. But IDA20 must also support the urgent reconstruction of economies after the deep crises that followed on the outbreak and lockdowns, and support economies to become more resilient to future shocks.

vi. **Crisis response presents an opportunity to generate impacts that outlast the pandemic by addressing key foundational issues related to Crisis Preparedness, Debt, Governance and Institutions, and Technology.** IDA treats these Cross-Cutting Issues as catalytic, closely interlinked, and mutually reinforcing. For instance, technology enables improved institutional governance and crisis preparedness, while fiscal space and debt burdens ultimately set the limits for public action.

vii. **IDA20 will adopt *Crisis Preparedness* as a new Cross-Cutting Issue.** Over the decades preceding the COVID-19 outbreak, IDA countries experienced many crises, including those related to food insecurity, climate change, zoonotic disease, conflict, and natural disasters, often with devastating consequences and without adequate support systems in place. IDA20 will increase ambitions to support countries in investing in crisis preparedness and system-wide resilience, which is a challenge in resource-strapped settings, but contributes to more resilient development and saves costs, in the long run. As a one-time measure during a time of exceptional challenges, IDA20's new Crisis Preparedness Cross-Cutting Issue will operationalize one standalone policy commitment to support all IDA countries to assess and strengthen their crisis preparedness.

viii. **IDA20 will reframe *Governance and Institutions* as a Cross-Cutting Issue, better to support effective, inclusive, and accountable public action.** Making Governance and Institutions a Cross-Cutting Issue instead of a Special Theme allows for stronger interlinkages across Special Themes and sectors and reflects the foundational and cross-cutting nature of the issue. Governance and Institutions will continue to operationalize four core policy commitments as its status changes from a Special Theme to a Cross-Cutting Issue. Governance and Institutions-related policy commitments will also be operationalized through IDA20's Special Themes on Jobs and Economic Transformation (JET), Human Capital, Fragility, Conflict, and Violence (FCV), and Gender.

ix. **IDA20 will deepen its support of countries that work to improve *Debt* transparency and management, and to strengthen domestic resource mobilization.** IDA20 will enhance incentives to move toward sustainable borrowing and investment practices building on the work in IDA19's SDFP and IDA19's Debt Cross-Cutting Issue.<sup>ii</sup>

x. **IDA20 will increase the ambition and go deeper to address the *Technology* Cross-Cutting Issue, with a focus on digital access and usage, and on supporting countries to adopt inclusive and transformative technologies.** IDA20 will build on progress made in IDA19 against technology-related policy commitments in the JET Special Theme (Policy Commitment 5), the Gender and Development Special Theme (Policy Commitments 2 and 4), and the FCV Special Theme (Policy Commitment 5).

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<sup>ii</sup> IDA19's Governance and Institutions Special Theme policy commitments 1, 2, and 3.

xi. **By laying a solid foundation in the areas of Crisis Preparedness, Governance and Institutions, Debt, and Technology, IDA will help client countries address the current crisis, and prevent, mitigate, and recover more quickly from future crises.** Successful countries prepare and adapt early and invest in fundamentals like social protection, better debt management, digital and data infrastructure, and institutions. Adaptive social protection can help women and men smallholders and subsistence producers to transition to climate friendly approaches in agriculture, fisheries, and other sectors. Delivery systems for government services can become more inclusive and effective. This will not only improve their resilience but also ensure that governments and the private sector are better able to meet the needs of the citizens. A conscious investment in digital technology strengthens crisis preparedness and resilience as well as the productivity of all economic sectors and society at large.

xii. **Management seeks guidance from IDA Participants on the following questions:**

- a. Does the renewed Cross-Cutting Issues architecture help IDA20 to be more effective in supporting responses to crises and in catalyzing interventions for more resilient economies and societies?
- b. Do policy commitments highlighted in this paper target the most pressing foundational challenges? (See Table ES.1)

**Table ES. 1. Policy Commitments Related to Cross-Cutting Issues**

<b>Policy Commitment</b>	<b>Placement</b>
<b>Crisis Preparedness (Six Policy Commitments)</b>	
<b>Strengthening crisis preparedness:</b> WBG country programs in all IDA countries will provide support to strengthen crisis preparedness. Such support will be informed by various country-specific assessments and other relevant diagnostic tools.	<b>Crisis Preparedness Cross-Cutting Issue:</b> Policy Commitment 1
<b>Expanding adaptive social protection and building resilience to shocks:</b> To ensure inclusive and effective response against shocks and crises, support at least 20 IDA countries' resilience by building adaptive social protection systems, including the use of digital technologies.	<b>Human Capital Special Theme:</b> Policy Commitment 4
<b>Increasing crisis preparedness and response:</b> Support at least 25 countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.	<b>Climate Change Special Theme:</b> Policy Commitment 8
<b>Boosting COVID-19 vaccine roll-out and strengthening pandemic preparedness:</b> To contain the pandemic, support all IDA countries in the roll-out of COVID-19 vaccinations including broader health care system strengthening and pandemic preparedness.	<b>Human Capital Special Theme:</b> Policy Commitment 1

<p><b>Supporting prevention of and preparedness for future pandemics:</b> To prevent zoonotic diseases and ensure pandemic preparedness, support at least 20 IDA countries with One Health approaches which address the nexus between human, animal, and ecosystem health.</p>	<p><b>Human Capital Special Theme:</b> Policy Commitment 7</p>
<p><b>Supporting resilient financial systems for recovery:</b> Strengthen the resilience, inclusion and depth of the financial system in 15 IDA countries, including 5 IDA FCS, based on Financial Sector Assessment Program (FSAP) or similar financial sector analytics to support a robust and inclusive recovery.</p>	<p><b>JET Special Theme:</b> Policy Commitment 1</p>
<p><b>Governance and Institutions (Nine Policy Commitments)</b></p>	
<p><b>Increasing debt transparency:</b> Support 50 IDA countries in publishing more comprehensive public and publicly guaranteed (PPG) debt reports or fiscal risk statements.</p>	<p><b>Governance and Institutions Cross-Cutting Issue:</b> Policy Commitment 1 (Cross referenced under <b>Debt</b>)</p>
<p><b>Improving domestic resource mobilization:</b> Support 15 IDA countries to bolster their domestic resource mobilization capacity through equitable revenue policies and/or innovative compliance measures towards achieving a tax-GDP ratio of at least 15 percent in the medium term.</p>	<p><b>Governance and Institutions Cross-Cutting Issue:</b> Policy Commitment 2</p>
<p><b>Enabling digital government services:</b> Support at least 15-20 IDA countries to adopt universally accessible GovTech policies, regulations or solutions to enable digital government services.</p>	<p><b>Governance and Institutions Cross-Cutting Issue:</b> Policy Commitment 3 (Cross referenced under <b>Technology</b>)</p>
<p><b>Combatting illicit financial flows:</b> Support 5 countries to conduct comprehensive IFF assessments and prepare action plans. Also support 20 IDA countries to take IFF-related policy actions, such as increasing access to and awareness of beneficial ownership information and/or adopting automatic exchange of information to reduce tax evasion.</p>	<p><b>Governance and Institutions Cross-Cutting Issue:</b> Policy Commitment 4</p>
<p><b>Delivering quality infrastructure investments in fragile countries:</b> Support at least 20 countries, of which 10 have a score of 3.0 or less on Country Policy and Institutional Assessment (CPIA) Dimension 16 covering transparency, accountability and corruption, to identify governance constraints to the development, financing, and delivery of quality infrastructure investments, with particular attention to resilience, climate and environment, social considerations, and regulatory practices, transparency and integrity, to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these. These will be undertaken through Infrastructure Sector Assessment Programs (InfraSAPs) and standalone governance assessments that support improved competitiveness.</p>	<p><b>JET Special Theme:</b> Policy Commitment 3</p>
<p><b>Boosting institutional capacity to improve data for policy decision-making:</b> Support 34 IDA countries including those with ongoing statistical</p>	<p><b>JET Special Theme:</b> Policy Commitment 8</p>

<p>operations (i) to strengthen institutions and build capacity to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate; and (ii) to increase resilience of statistical systems, including through investments in digital technology and high-frequency monitoring capabilities.</p>	
<p><b>Leveraging adequate, efficient financing for human capital:</b> To strengthen public finance for human capital investments, support at least 20 IDA countries, of which 10 with the lowest HCI through (i) the availability of resources and the efficiency of expenditure management and/or (ii) the efficacy of human capital investments measured through output/outcome indicators.</p>	<p><b>Human Capital Special Theme:</b> Policy Commitment 8</p>
<p><b>Strengthening core governance institutions:</b> Support 30 percent of IDA countries in Fragile and Conflict-affected Situations (with active portfolios) to establish and/or strengthen core government functions that facilitate effective, inclusive, and responsive public services, enhance transparency and accountability, and/or promote resilience.</p>	<p><b>FCV Special Theme:</b> Policy Commitment 3</p>
<p><b>Implementing fiscal policy and budget systems to close gender gaps:</b> Support at least 10 IDA countries to make their fiscal policy and budget systems more inclusive and gender responsive by, for example, budget reforms, removing discriminatory provisions from tax legislation and/or monitoring the effectiveness of public spending for gender equality policies.</p>	<p><b>Gender and Development Special Theme:</b> Policy Commitment 7</p>
<p><b>Debt (One Policy Commitment)</b></p>	
<p><b>Increasing debt transparency:</b> Support 50 IDA countries in publishing more comprehensive public and publicly guaranteed (PPG) debt reports or fiscal risk statements.</p>	<p><b>Governance and Institutions Cross-Cutting Issue:</b> Policy Commitment 1</p>
<p><b>Technology (Six Policy Commitments)</b></p>	
<p><b>Expanding adaptive social protection and building resilience to shocks:</b> To ensure inclusive and effective response against shocks and crises, support at least 20 IDA countries to be resilient against shocks and crises by building adaptive social protection systems, including the use of digital technologies.</p>	<p><b>Human Capital Special Theme:</b> Policy Commitment 4</p>
<p><b>Expanding access to core services for persons with disabilities:</b> To promote inclusive societies, support at least 18 IDA countries to meet the needs of persons with disabilities by implementing the principles of universal access through projects in education, health, social protection, water, urban, digital development and/or transport.</p>	<p><b>Human Capital Special Theme:</b> Policy Commitment 6</p>
<p><b>Expanding broadband access and usage for jobs of the future:</b> To close the connectivity gap, IDA will support 17 IDA countries, including those which will benefit from IFC's support under the IDA PSW to develop digital infrastructure, to increase inclusive and affordable access to and usage of broadband connectivity, among which are 6 landlocked countries, 4 Small States and 9 FCS countries.</p>	<p><b>JET Special Theme:</b> Policy Commitment 6</p>

<p><b>Positioning more firms for recovery, including through the adoption of digital technology:</b> Support programs in 15 IDA countries to strengthen private sector recovery and transformation that are well targeted, inclusive of SMEs and support the adoption of digital technologies, with monitoring to capture distributional impacts and effectiveness. To support this, IFC will increase its digital infrastructure and venture capital work in IDA and FCS countries.</p>	<p><b>JET Special Theme:</b> Policy Commitment 7</p>
<p><b>Closing gaps in digital technology:</b> At least 30 IDA20 operations in digital development, financial inclusion, and agriculture will increase women’s access to and usage of digital technology to close gender gaps in access and usage.</p>	<p><b>Gender and Development Special Theme:</b> Policy Commitment 4</p>
<p><b>Enabling digital government services:</b> Support at least 15-20 IDA countries to adopt universally accessible GovTech policies, regulations or solutions to enable digital government services.</p>	<p><b>Governance and Institutions Cross-Cutting Issue:</b> Policy Commitment 3</p>

## I. STRENGTHENING THE FOUNDATIONAL BUILDING BLOCKS

1. **The COVID-19 pandemic and its consequences are setting back the world's low-income and fragile countries and putting in peril the World Bank Group's (WBG) Twin Goals and the Sustainable Development Goals (SDGs).** The global outlook remains uncertain, with major risks around the path of the pandemic and the possibility of financial stress.<sup>1</sup> The devastation caused by the pandemic is a stark reminder of the need to invest in crisis preparedness and that strengthened governance and institutions are central to improved resilience. The effects of the pandemic also underscore that many International Development Association (IDA) countries remain burdened by unsustainable debt levels, which need to be addressed. As we confront these issues, technology will be central. By building a stronger foundation for development, IDA countries will be better placed to address the ongoing crisis, preempt and respond to future ones, and generate longer-term beneficial effects.

2. **IDA20 identifies four priority Cross-Cutting Issues: Crisis Preparedness; Governance and Institutions; Debt; and Technology.** These Cross-Cutting Issues lay the foundation for improved development effectiveness through approaches to address challenges that go beyond a single sector or Special Theme. IDA20 treats the Cross-Cutting Issues as instrumental and mutually reinforcing and adopts targeted Cross-Cutting Issues-linked policy actions and commitments to deepen IDA's impact, detailed in Table 1. This paper presents an overview of the IDA20 Cross-Cutting Issues, and how addressing them helps control the current crisis and sets IDA countries on a sustainable path towards more inclusion, greater resilience to future shocks, higher levels of economic diversity and productivity, and better prospects for future generations.

### **Pre-Covid Weaknesses, Pandemic Crisis, and Building a Foundation for Recovery**

3. **Significant foundational weaknesses in Cross-Cutting Issues were evident even before the pandemic outbreak.** These weaknesses included, but were not limited to, inadequate systems to manage crises, uneven service delivery, poor management of public resources, poor debt transparency and significant fiscal risk, and sizeable gaps in digital access and usage compared to non-IDA countries. The outbreak of COVID-19 halted progress in the work to address these Cross-Cutting Issues, posing a risk of longer-term reversals in hard-won development gains made over previous IDA cycles in these areas and others.

4. **The pandemic exposed new and critical weaknesses linked to the Cross-Cutting Issues in many IDA countries, with significant impacts on countries' response and recovery abilities.** The effects of COVID-19 and the ensuing lockdowns exposed critical issues related to Crisis Preparedness, Governance, Debt, and Technology. The inadequacy of crisis preparedness systems to stage effective pre-emptive measures and responses to the pandemic was evident in almost every country, despite recent warnings in the form of zoonotic disease outbreaks and climate-related natural disasters. The effects of the pandemic and lockdowns underscore crucial governance issues such as those related to administrative systems' ability to raise and spend adequate public money at a time of crisis, and to manage severe fiscal pressures and debt accumulation. Finally, the effects caused by the pandemic and lockdowns have thrown into stark

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<sup>1</sup> World Bank. 2021. Global Economic Prospects, June 2021. Washington, DC: World Bank. <https://openknowledge.worldbank.org/bitstream/handle/10986/35647/9781464816659.pdf>

relief the relative lack of access to digital technologies in IDA countries. In many cases, digital infrastructure and applications across critical sectors offered the only opportunity for governments, individuals, and firms to ensure business continuity and cope with social distancing - yet were inaccessible to too many.

5. **To meet the demands of this moment, IDA20 needs to double down on the work in IDA19 and in earlier IDA cycles to close pre-COVID structural gaps, while taking on the new and urgent challenges posed by the crisis.** IDA20's most critical priority is to address the health effects of the ongoing pandemic by accelerating access to vaccinations and strengthening health systems. But IDA20 must also support the urgent reconstruction of economies after deep economic crises following the health outbreak and lockdowns. Finally, IDA20 needs to support economies to become more resilient to future shocks.

6. **IDA20 will focus on addressing the pandemic's negative effects, building resilience, and on spearheading interventions that address stubborn pre-COVID weaknesses in Cross-Cutting Issues.** Crisis response presents an opportunity to invest with the potential for effects that outlast the pandemic by addressing key foundational issues related to Crisis Preparedness, Governance and Institutions, Debt, and Technology. IDA20 will support countries in this endeavor.

- a. IDA20 will adopt *Crisis Preparedness* as a new Cross-Cutting Issue. Over the decades preceding the pandemic outbreak, IDA countries experienced many crises related to food insecurity, climate change, zoonotic disease, conflict, and natural disasters, often with devastating consequences and without adequate support systems in place. IDA20 will increase ambitions by building on the work of IDA's Crisis Response Window (CRW), which helped countries address Ebola and other crises during IDA17 and scaled up support in IDA18, and on specific policy commitments in IDA19 on crisis preparedness and response.<sup>2</sup> Investing in pandemic preparedness and system-wide resilience is challenging in resource-strapped settings, but essential for effective pre-emption and response to future shocks. As a one-time measure during a time of exceptional challenges, IDA20's new Crisis Preparedness Cross-Cutting Issue will operationalize one standalone policy commitment to support all IDA countries to assess and strengthen their crisis preparedness.
- b. IDA20 will reframe *Governance and Institutions* as a Cross-Cutting Issue, to support effective, inclusive, and accountable public action. Making Governance and Institutions a Cross-Cutting Issue instead of a Special Theme reflects the foundational and cross-cutting nature of Governance and allows for stronger interlinkages across Special Themes as well as across the broader IDA portfolio. Despite the outbreak of the pandemic, IDA19 saw progress towards the policy commitments housed by the Governance and Institutions Special Theme. IDA20 will build on this work, with Governance exceptionally continuing to house four core policy commitments as its status changes from a Special Theme to a Cross-Cutting Issue. Governance and Institutions will also be operationalized in policy commitments housed by IDA20's Jobs and Economic Transformation (JET), Human

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<sup>2</sup> IDA19's Climate Special Theme Policy Commitment 4, and Governance and Institution's Special Theme Policy Commitment 7.

Capital, Fragility, Conflict, and Violence (FCV), and Gender and Development Special Themes.

- c. IDA20 will deepen its support for countries to improve *Debt* transparency and management, and to strengthen domestic resource mobilization. IDA20 will enhance incentives for countries to move toward sustainable borrowing and investment practices building on the work in IDA19's Sustainable Development Finance Policy (SDFP) as well as on IDA19's Debt Cross-Cutting Issue, which included policy commitments on domestic resource mobilization and on debt transparency.<sup>3</sup>
- d. IDA20 will increase the ambition and go deeper to promote the *Technology* Cross-Cutting Issue with a focus on digital access and usage, and to support countries to adopt inclusive and transformative technologies. IDA20 will build on progress made in IDA19 against technology-related policy commitments in the JET Special Theme (Policy Commitment 5), the Gender and Development Special Theme (Policy Commitment 2 and Policy Commitment 4), and the FCV Special Theme (Policy Commitment 5).

7. **The Cross-Cutting Issues are closely interlinked and mutually reinforcing.** For instance, technology is a prerequisite for more effective institutional governance and crisis preparedness, and fiscal space and debt burdens ultimately set the limits for public action. Section II provides detail on each Cross-Cutting Issue, its importance in managing the pandemic and ensuring sustainable development, and IDA's track record. Section III specifies the way forward under IDA20 to address pandemic effects and to spearhead interventions with effects that can outlast the pandemic.

## II. CROSS-CUTTING ISSUES IN IDA20

### A. Crisis Preparedness

8. **As IDA countries continue to grapple with COVID-19, they face a variety of other threats that risk wiping away decades of development gains.** COVID-19 is expected to push up to 150 million additional people into extreme poverty by end-2021.<sup>4</sup> The pandemic coincided with cyclones in South Asia and the Pacific, as well as locust swarms in East Africa, the Middle East and South Asia, which amplified negative impacts on IDA clients. Every year, natural disasters and climatic shocks force 26 million people into poverty.<sup>5</sup> These shocks have exacerbated pre-pandemic vulnerabilities and are driving food insecurity to unprecedented levels. The World Food Programme (WFP) estimates that 174 million people across 58 countries are experiencing crisis levels of food insecurity (IPC3), a 30 percent increase from 2019, with 34 million people in

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<sup>3</sup> IDA19's Governance and Institutions Special Theme policy commitments 1, 2, and 3.

<sup>4</sup> World Bank. 2020. *Poverty and Shared Prosperity 2020: Reversal of Fortune*. Washington, DC: World Bank.

<sup>5</sup> Hallegatte, Stephane; Vogt-Schilb, Adrien; Bangalore, Mook; Rozenberg, Julie. 2017. *Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters*. Climate Change and Development; Washington, DC: World Bank.

17 countries at risk of famine.<sup>6</sup> By 2022, an estimated 9.3 million additional children would suffer from acute malnutrition, and 2.6 million children would be stunted. These crises are often interconnected and produce compounding effects that spill across borders. The impacts are particularly acute in fragile and conflict-affected situations (FCS) that tend to exhibit multiple vulnerabilities. Looking ahead, pandemics, floods, storms, and droughts are expected to become more frequent and severe, affecting hundreds of millions of people each year.<sup>7</sup>

9. **The foregoing is a stark reminder that countries must step up investments in crisis preparedness, especially as the benefits far outweigh the costs.** One pre-COVID analysis estimated that on average, for every \$1 spent on preparedness in low- and middle-income countries, up to \$16 can be saved in the cost of illnesses averted; the benefits in lives saved are incalculable.<sup>8</sup> The Global Commission on Adaptation estimated that benefit-to-cost ratios for climate adaptation investments range from 2:1 to 10:1.<sup>9</sup> Beyond mitigating the risk of crises materializing, preparedness also entails strengthening the capacity to respond and contain the repercussions of shocks that could still occur.

#### **i. IDA's Track Record: A Multi-Faceted Approach to Crisis Preparedness**

10. **IDA is uniquely positioned to support countries in crisis preparedness, at scale and with speed, and to integrate it into broader development agendas.** Between April 2020 and March 31, 2021, IDA committed \$17.8 billion for COVID response operations, many of which also entailed strengthening preparedness for future crises. IDA helps countries invest in preparedness interventions tailored for specific crises (for example, natural hazards, pandemics, and food insecurity), and in shock-agnostic investments that enhance readiness across a variety of crises (for example, adaptive social protection systems). A key part of crisis preparedness involves the basic building blocks of development—such as governance, health and education systems, social protection programs, quality infrastructure and macroeconomic stability—which are the mainstay of IDA's work. IDA also helps integrate crisis preparedness into broader development agendas and country systems, and its direct engagement with Ministers of Finance gives it a comparative advantage in supporting a whole-of-government approach.

11. **IDA's deep experience in supporting crisis preparedness, particularly for natural disasters, provides lessons for other types of crises.** IDA has mainstreamed natural disaster preparedness—for example, through climate-resilient infrastructure and land use planning—into

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<sup>6</sup> The Integrated Food Security Phase Classification (IPC) utilizes a five-phase scale describing the severity of food emergencies (IPC1 = minimum, IPC2=stressed, IPC3 = crisis, IPC4 = emergency, IPC5 = famine). It is intended to help quickly understand a crisis (or potential crisis) and act. Standardized reporting of global food security crisis figures has only been available since 2015, and the highest recorded number of people in crisis or worse (IPC3+) conditions was 135 million people in 2019. According to the UN, key at-risk countries include Afghanistan, Burkina Faso, CAR, DRC, Ethiopia, Haiti, Honduras, Madagascar, Mozambique, Nigeria, Somalia, South Sudan, Sudan, Syria, Venezuela, Yemen, and Zimbabwe.

<sup>7</sup> World Bank Group Global Crisis Response Platform, September 6, 2016. SECM2016-0247, World Bank, Washington, DC.

<sup>8</sup> Ozawa, S. et al. 2016. "Return on investment from childhood immunization in low- and middle-income countries, 2011-20", *Health Affairs*, Vol. 35/2, pp. 199-207, <http://dx.doi.org/10.1377/hlthaff.2015.1086>

<sup>9</sup> Chapagain, J. and A. Steer, "Preparing for the next crisis before it's too late". July 6, 2020. World Economic Forum Blogs: <https://www.weforum.org/agenda/2020/07/disaster-preparedness-government-policymakers/>

core operations via sustained policy dialogue, analytics and use of various financing instruments. IDA commitments for building disaster resilience increased from \$0.1 billion (less than one percent of total IDA commitments) in 2009, to \$4.6 billion (15.1 percent) in 2020. Notably, 70–75 percent of this was funded by Performance-based Allocations (PBA), without dedicated financing windows. Substantial progress has been made, with 46 countries having institutionalized disaster risk management as a national priority and introduced mechanisms to mitigate risks and strengthen preparedness. Bangladesh is a salient example. (Box 2.1).

**Box 2. 1. Bangladesh’s Mainstreaming of Climate and Disaster Risk Management Using Performance-based Allocations (PBA)**

Bangladesh has demonstrated how widely crisis preparedness is embedded in its core operations financed by PBA. This was despite there being no dedicated funding window for crisis preparedness. Bangladesh has among the largest IDA-financed operations (by funding volume and number of projects) that build resilience to climate and disaster risks. In deciding how to use its PBA, Bangladesh has prioritized structural and systemic resilience, enhancing preparedness, and building back better—and mainstreamed these into IDA operations. This is the product of years of sustained policy dialogue between IDA and the Government, backed by IDA’s financing and knowledge, especially given the severe threat of hazards such as cyclones and floods that affect Bangladesh regularly.

Bangladesh is very vulnerable to climate hazards such as floods, cyclones, storm surge and sea level rise. With PBA, it invested in an integrated approach to disaster risk reduction, mitigation, and preparedness systems. This ranged from infrastructure complemented with nature-based solutions, to hydro-meteorological and early warning systems. These efforts have saved lives, reduced losses, and protected development gains. The number of casualties from cyclones in Bangladesh has dropped by a factor of 100 and living conditions have improved significantly.

For example, the Emergency Cyclone Recovery and Restoration Project (\$324 million) facilitated recovery from Cyclone Sidr and enhanced long-term preparedness. It helped construct and restore over 800 cyclone shelters; built 343 km of connecting roads; repaired or constructed 501 km of embankments; and benefited about 4.8 million people in coastal areas. This project also laid the groundwork for other PBA-funded investments—namely, the Multipurpose Disaster Shelter Project (\$375 million); Coastal Embankment Improvement Project (\$400 million, of which \$375 million IDA and \$25 million from Pilot Program for Climate Resilience); Urban Resilience Project (\$173 million); and Weather and Climate Services Regional Project (\$84.4 million). An estimated 333,000 people now have greater protection from tidal flooding and storm surges and 424,000 people have access to shelters, with hundreds of thousands more beneficiaries when these ongoing projects are completed.

12. **On pandemics, IDA is stepping up at scale for COVID-19 response with operations that also strengthen pandemic preparedness, building on lessons from earlier outbreaks.** IDA’s COVID-related commitments from April 2020 to March 31, 2021 totaled \$17.8 billion, and many projects embedded pandemic preparedness elements. For example, a \$82.6 million project for *Ethiopia* helped boost laboratory and testing capacity and other preparedness infrastructure and supported the development of a Risk Communication and Community Engagement Strategy. Further, given the zoonotic nature of recent pandemics, IDA’s response promotes a One Health approach (Box 2.2). IDA’s learning on pandemic preparedness continues to evolve, building on lessons from COVID-19 and earlier outbreaks such as Ebola, SARS and Avian Flu. To tackle the 2014–16 Ebola crisis, IDA committed over \$1 billion for response and longer-term preparedness

through improved health service delivery capacity and protection of poor and vulnerable households. This in turn helped prepare clients like *Guinea* to combat COVID-19.

### Box 2.2. The One Health Approach

One Health is a relatively new approach to disease prevention and response that brings together human health, animal health and ecosystem health. It offers a pragmatic multi-disciplinary approach to prevent, prepare for, and react to emerging risks at the human, animal, environmental interfaces, and is now recognized as an essential tool for health security. Most recent pandemics, like most communicable diseases more generally, have their origin in animals—such as Nipah, Ebola, Avian influenza, SARS, MERS, Zika and COVID-19. Epidemics of zoonotic diseases have increased dramatically, and Low-to-Middle-Income Countries harbor the bulk of hotspots for emerging infectious diseases.

The World Bank fully supports One Health. For example, it used the approach in the Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response in 2006, which helped avert a pandemic through improved biosecurity, surveillance, diagnostic capacity, and communication. One Health also underpins the Regional Disease Surveillance Systems Enhancement program that supports collaborative surveillance and epidemic preparedness in West and Central Africa following the 2014–16 Ebola outbreak. In 2018, the Bank published its One Health Operational Framework, and One Health is a key feature of the Bank’s Strategic Preparedness and Response Program for COVID-19. For instance, São Tomé e Príncipe’s COVID-19 Response project takes a One Health approach by enhancing zoonotic disease information systems, including integrated analysis of animal health surveillance data for early warning and rapid response.

Today, IDA has committed over \$0.9 billion in One Health investments across 33 countries in areas such as public health, veterinary services, disease surveillance, land use, biodiversity, climate change, agricultural practices, food systems, community engagement, social inclusion, as well as resilient and sustainable livelihoods.

**13. The World Bank is one of the largest sources of development finance for addressing food insecurity, having provided over \$60 billion since the 1980s, with two-thirds of this amount coming from IDA.**<sup>10</sup> IDA has tripled its annual agriculture-related and social protection support since 2008, while increasingly focusing on improving climate resilience, reducing the risk of conflict, addressing zoonotic disease risk, expanding economic opportunities and enhancing nutrition. In 2020, a \$500 million Emergency Locust Response Program was approved which aims to help affected communities safeguard their livelihoods and cope with the impacts of locust infestation, while strengthening national systems for preparedness. Addressing food crises also demands long-term investments in food and nutrition systems. IDA’s nutrition portfolio has grown significantly, from \$10 million in FY10 to an annual average of \$609 million in FY18–20.<sup>11</sup>

**14. Beyond country-level engagements, IDA is supporting regional and global public goods for crisis preparedness, including monitoring, surveillance, and early warning systems.** For example, the Regional Disease Surveillance Systems Enhancement project) has helped strengthen national and regional cross-sectoral capacity for collaborative disease

<sup>10</sup> IDA. (2019). *Review of the IDA Crisis Toolkit: Background Note (English)*. Washington, DC: World Bank Group. <http://documents.worldbank.org/curated/en/275821564074709174/Review-of-the-IDA-Crisis-Toolkit-Background-Note>

<sup>11</sup> The full extent of IDA’s work in nutrition is larger as these estimates include only nutrition-specific investments and do not account for DPOs and nutrition-sensitive investments in agriculture, social protection, and WASH.

surveillance and epidemic preparedness in 15 African countries, committing \$657 million using PBA complemented by Regional Window financing. To facilitate transboundary investments in early warning systems for natural hazards, the Central Asia Hydrometeorology Modernization Project has been supporting the World Meteorological Organization (WMO) regional center in Tashkent, along with regional flash flood guidance hosted by the Kazhydromet. Technical support for the G20 Agricultural Market and Information System helped improve global food market transparency and provide a platform to coordinate policy action during market uncertainty.

15. **Beyond preparedness for distinct types of crises, IDA also supports shock-agnostic investments, for example, to strengthen adaptive social protection systems, that enhance the ability of vulnerable communities to cope across varied types of shocks.** Likewise, investments in national emergency management systems have yielded broad-based benefits by bringing a “whole of government” approach to ensuring better inter-agency coordination in times of crises.

16. **IDA is expanding its analytical toolkit, to better understand potential macro-financial impacts of key risks.** A significant focus is on integrating climate risks as well as measures for climate adaptation and mitigation into macro-economic frameworks and fiscal strategies. In addition, IDA is including physical resilience investments in its standard country macro-economic models, with pilots in the Caribbean, Pakistan, and Uganda.

17. **IDA is also supporting financial preparedness to crises.** With its partners, IDA is helping countries to develop and implement risk finance solutions and proactively manage disaster risks through a portfolio of financial instruments. In 2015, thanks to the insurance policy purchased through the Pacific Catastrophe Risk Assessment and Financing Initiative, Vanuatu received \$2 million just seven days after Cyclone Pam. In small disaster-prone states such as Grenada, Saint Lucia, and Saint Vincent and the Grenadines, IDA has been helping governments integrate disaster risks into macro-fiscal frameworks, such as by developing fiscal responsibility rules and building fiscal buffers via contingency funds and domestic resource mobilization.

18. **IDA continues to innovate and broaden the use of its *financing toolkit* for crisis preparedness.** For instance, Mozambique’s Disaster Risk Management and Resilience Program-for-Results (PforR) led to a Disaster Management Fund that helped provide timely responses to cyclones. Further, the Catastrophe Deferred Drawdown Option (CAT-DDO) in Development Policy Financing (DPFs) helps galvanize policy dialogue and reforms on resilience. The Malawi Disaster Risk Management DPF with a CAT-DDO catalyzed adoption of a new social protection plan that aims to modernize the system, including by developing shock-responsive elements. Clients are also using Contingent Emergency Response Components (CERCs) which channel uncommitted Investment Project Financing (IPF) balances for crisis response: to date, 302 IPFs have CERCs in 58 IDA countries. CERCs enhance preparedness by frontloading the groundwork, such as implementation modalities to be used in a crisis, as opposed to scrambling amid an emergency. Moreover, the Crisis Response Window (CRW) was expanded in IDA19 to provide Early Response Financing for slower-onset crises.

## ii. Proposed Policy Actions

19. **IDA's experience has highlighted key lessons.** First, sustained preparedness investments are vital as the first line of defense against crises.<sup>12</sup> This entails strengthening key country systems through technical assistance, policy reforms, and investments, adopting principles of country ownership and leadership. Second, IDA's success in mainstreaming natural disaster preparedness offers lessons for other types of crises, notably on addressing incentive challenges and working with governments to prioritize and mainstream preparedness—even without dedicated financing windows. Helping countries better understand their crisis risks and attendant consequences is therefore vital. IDA has also introduced pre-arranged financing instruments to incentivize governments to invest in preparedness.<sup>13</sup> Third, a whole-of-government approach is needed to tackle crises with wide-scale spillovers. Inter and intra-agency coordination and cooperation is essential for effective crisis management, with synergies in sharing of resources and personnel. Ministries of Finance are key, and their ownership of the crisis preparedness agenda helps elevate such work into core development planning and investment across sectors.

20. **Partnerships are typically a key element of effective, scalable preparedness solutions.** IDA supports countries as part of a broader global collaboration which includes other Multilateral Development Banks (MDBs), UN agencies, International Monetary Fund (IMF), bilateral donors, the private sector, and Non-Governmental Organizations (NGOs), acting under the leadership of recipient governments. Partnerships have been central to IDA's work on COVID-19. For instance, vaccine readiness assessments have involved collaboration with United Nations Children's Fund (UNICEF) and World Health Organization (WHO), and partnerships with COVID-19 Vaccines Global Access (COVAX) and Gavi, the Vaccine Alliance (GAVI) have been critical in supporting equitable vaccine access. Partnerships to bridge the gap between humanitarian and development assistance are especially critical in FCS. Collaboration with the WFP on food insecurity in Afghanistan, the Sahel, Sudan, and other IDA countries are good examples. Further, multi-donor trust funds such as the Global Facility for Disaster Reduction and Recovery, the Global Financing Facility and the Global Risk Financing Facility complement IDA by supporting analytical products, technical assistance, capacity-building, and piloting of new solutions. The Japan-World Bank Program for Mainstreaming Disaster Risk Management in Developing Countries also provided technical assistance to countries through the Disaster Risk Management Hub in Tokyo.

21. **IDA will build on lessons learned, improve agility, enhance policy dialogue, and adopt a more holistic crisis management approach to better support countries across various phases of crisis risk management.** It will leverage key comparative advantages, which include:

- a. **Staying engaged and taking the long view:** Crisis preparedness requires systematic, multi-generational investments. Given IDA's development mandate which necessitates

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<sup>12</sup> The West Africa Ebola crisis illustrates this. By end-2015, \$3.6 billion was spent fighting Ebola and Liberia, Sierra Leone and Guinea suffered \$2.8 billion in GDP losses that year. In contrast, Nigeria—which had an epidemic response infrastructure when Ebola struck—faced economic costs of \$186 million, despite being a larger country. See: Resolve to Save Lives. Prevent Epidemics: Why Preparedness is a Smart Investment. <https://resolvetosavelives.org/assets/Resources/ROI-Why-Preparedness-is-a-Smart-Investment.pdf>

<sup>13</sup> Examples include CAT-DDOs that provide a 50 percent top-up in financing volume if a country funds it using PBA, and pre-allocated CERCs, funded by CRW.

continuous long-term engagement in countries, IDA is well-positioned to see its clients through the ebb and flow of crises, and to connect its work to their long-term preparedness efforts. IDA provides the needed financing that's on-budget and helps build the necessary ownership and capacity for countries to transition, over time, to financing preparedness using domestic resources, which is vital for the sustainability of preparedness spending.

- b. **A systems approach that leverages country solutions and integrates preparedness into systemic investments, notably through operations that strengthen countries' systems for delivering health services:** IDA's crisis preparedness and response operations are embedded into and delivered through country programs, which helps lay the foundations for preparedness and enable more effective interventions during emergencies.
- c. **A comprehensive value proposition based on cross-sectoral expertise which fits well with a whole-of-government approach:** Few actors have IDA's comprehensive cross-sectoral expertise critical for crisis preparedness. Preparing for the next crisis requires a broad set of interventions, such as in education, social protection, and quality infrastructure (including digital connectivity), with a strong focus on the poor and vulnerable who are disproportionately at risk. Indeed, a key part of preparedness involves the basic building blocks of development—areas in which IDA has longstanding experience and expertise.
- d. **Track record in leveraging funds from the public and private sectors.** For instance, the IFC's Global Health Platform is taking a One WBG approach to leveraging private sector funding and support from the PSW for COVID-19 response. PSW support to-date includes providing \$18 million to the Africa Medical Equipment Facility program in Sub-Saharan Africa which promotes Small and Medium Enterprises' (SMEs) access to finance for medical equipment.

22. **COVID-19 has spotlighted the importance of preparing for a world of unexpected shocks; an ambitious and successful IDA20 presents an opportunity to scale up such support.** COVID-19 has highlighted the need for countries to invest not only in public health, but also in preparedness more broadly through programs that reflect the multi-dimensional causes and effects of crises. An integrated approach is needed to strengthen policies, institutions, and systems, and to enhance the resilience of households and firms while ensuring the poorest are not left behind.

23. **IDA20 would focus on key cross-cutting issues where investments are shock-agnostic and propose related policy commitments.** Building on IDA's experience, there are two priorities for IDA20, starting with "a" below which will be the only policy commitment nested in the Crisis Preparedness Cross-Cutting Issue given its truly cross-cutting nature. The policy commitment "b" below is included in the Human Capital Special Theme and described in detail in the Special Theme paper:

- a. **Strengthening crisis preparedness in all IDA countries, informed by robust diagnostics:** COVID-19 has exposed weaknesses in crisis preparedness across IDA countries and highlighted the need to redouble efforts to tackle challenges in this area. WBG programs in all IDA countries will provide support to strengthen preparedness for a variety of crises, including pandemics, natural disasters and other climate-related extreme

events, food insecurity, financial shocks. Such support will be informed by various country-specific assessments (including the new crisis preparedness assessments), as well as other relevant diagnostic tools. (Crisis Preparedness Cross-Cutting Issue Policy Commitment 1).<sup>14</sup>

- b. **Strengthening and expanding adaptive social protection (ASP) systems to build the resilience of poor and vulnerable households to shocks:** ASP enhances the capacity of such households to prepare for, cope with, and adapt to shocks, ensuring that they do not fall (deeper) into poverty. Toward end-April 2020, as many as 133 countries had planned, introduced, or adjusted social protection programs in response to COVID-19, many with IDA support. Over the long term, ASP can provide a pathway to a more resilient state for households that may otherwise lack the resources to move out of chronically vulnerable situations. Key building blocks include investing in developing programs, data, and information, as well as securing finance. Digital technologies can play an important role in better targeting and delivery of cash/other transfers. (Human Capital Special Theme Policy Commitment 4).

24. **IDA20 will also focus on preparedness for different types of crises and propose policy commitments tailored to each type.** Priorities for IDA20 include the following which are addressed through the Special Themes papers in detail:

- a. **Strengthening national disaster risk management and information systems, including hydromet and early warning systems:** Many IDA countries could benefit from enhancing preparedness for natural hazards and food crises. Building on lessons learned, IDA20 will support countries to strengthen their institutional and planning frameworks and/or physical infrastructure for crisis preparedness and response, including by improving climate data and information services such as hydromet and early warning systems. (Climate Change Special Theme Policy Commitment 8)
- b. **An immediate global priority is to support the procurement and roll-out of COVID-19 vaccines, and to strengthen delivery of essential health services, while enabling access and equity for vulnerable individuals and groups.** COVID-19 has exposed weaknesses in public health systems, with vaccine access and roll-out being an urgent priority for IDA countries. The pandemic also affected routine health services, including essential prevention and promotion services for communicable and noncommunicable diseases, mental health, reproductive and maternal, and adolescent health, and nutrition. IDA20 will help countries fortify health systems, with greater emphasis on primary health care, governance, and management. To support pandemic preparedness and better health security, IDA20 will focus on health workforce capacity-building, laboratory testing and clinical management, surveillance capabilities at national, regional and global levels,

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<sup>14</sup> These assessments will build on the methodological approach (the crisis preparedness metrics, or CPM) developed under IDA19 to assess IDA countries' preparedness to respond to various shocks, including natural hazards and climate-related extreme events, pandemics and health emergencies, and food crises. By focusing on cross-cutting aspects, this tool will help provide a high-level assessment of crisis preparedness in IDA countries, thus supporting IDA's country engagement on this important agenda. This cross-sectoral, high-level preparedness assessment will be complemented by sector-specific assessments to provide detailed recommendations on specific aspects of crisis preparedness.

access to personal protective equipment, essential medical equipment, and vaccines, therapeutics and diagnostic tools, supply chain management and logistics, as well as improving the quality of care. (Human Capital Special Theme Policy Commitment 1).

- c. **Promoting a One Health approach to pandemic preparedness (and prevention), as the majority of new pathogens have emerged from zoonotic sources in recent years.:** The emergence of infectious diseases has accelerated from less than a hundred outbreaks per year until the 1980s to more than 400 since 2000, of which 75 percent have their origin in animals. Building on previous investments, IDA20 health projects will address this by embracing a One Health approach that recognizes the links between human and animal health, the environment, and food systems, and is key to preventing the next zoonotic outbreak from reaching pandemic proportions. (Human Capital Special Theme Policy Commitment 7).
- d. **Building resilient financial systems that can weather shocks:** As fragile economic recovery may increase vulnerability of financial systems, investing in supporting their resilience is key. Central banks and other financial sector supervisory bodies must be prepared, with the necessary financial regulations, supervisory tools and actions, and crisis management capacity, to help the financial sector weather shocks and avoid the potentially compounding effect of crises on financial systems. To this end, IDA20 will focus on building country capacity for supervisory analysis and actions, private debt workouts, orderly bank resolution, and greening of financial systems. (JET Special Theme Policy Commitment 1).

## **B. Governance and Institutions**

25. **Governments have been under enormous strain to swiftly implement containment measures, ensure continuity of essential services, and protect vulnerable groups.** Public institutions have been at the frontline of managing the pandemic crisis, doing what they can to respond to surging demand for health care services, roll out large-scale vaccination and social programs, and more. The crisis exposed significant deficiencies in the adequacy, quality, and equity of healthcare systems, and highlighted the inability of core government systems to ensure continuity of essential services during and after shocks. Public administration capacity for policy formulation, regulatory management, and public service delivery remains uneven in most IDA countries. The severity of the pandemic coupled with a decline in trust in public institutions will generate enormous challenges for IDA countries in the years ahead.

### **i. Adopting Governance and Institutions as a Cross-Cutting Issue**

26. **IDA20 will adopt Governance and Institutions as a Cross-Cutting Issue to support effective, inclusive, and accountable public action across the sectors.** Making Governance and Institutions a Cross-Cutting Issue instead of a Special Theme reflects the foundational and cross-cutting nature of the issue and allows for stronger interlinkages with the other Cross-Cutting Issues, across the Special Themes and across the broader IDA portfolio. Nine policy commitments will be operationalized both through the IDA20 Special Themes and directly through the Governance and Institutions Cross-Cutting Issue.

27. **As a Cross-Cutting Issue, Governance and Institutions will reinforce the foundational nature of governance.** Strengthened public institutions in IDA countries will enable a more resilient, inclusive, and sustainable recovery, and play a role in effective planning for and responding to climate shocks and food crises. IDA20's Governance and Institutions Cross-Cutting Issue builds on lessons from the pandemic and on IDA19 progress against commitments that reinforce domestic resource mobilization, accelerate digital development to enhance service delivery, and combat illicit financial flows (IFFs).

28. **Strengthened and reoriented systems for domestic resource mobilization is a priority for countries that wish to build back better from the pandemic.** Equitable and efficient fiscal systems will better mobilize domestic resources to finance spending priorities, facilitate inclusive economic transformation, and promote environmental sustainability. In the short term, governments need to mobilize revenues to fund critically important services for the poor, help close gender gaps, and facilitate economic recovery. IDA-countries need to combat tax avoidance, corruption, and illicit financial flows. In addition, the promotion of fair and equitable taxation, along with well-designed pro-poor progressive tax and expenditure systems can help reduce inequality and exclusion, and close gender gaps.

29. **COVID-19 has been a catalyst for digital government services, or GovTech solutions, particularly for business continuity, enhanced service delivery, and improved institutional performance.**<sup>15</sup> The adoption and use of GovTech can improve the quality and scope of services such as administration of vaccination programs, delivery of social safety net payments, unemployment benefits, childcare subsidies, and business services. Investments in GovTech can help address the immediate COVID-related priorities and realize longer-term priorities as the focus shifts to making government operations more responsive to future crises and more inclusive, with benefits that outlive the pandemic.

30. **The issue of IFFs is significant in IDA countries, with consequences for their ability to generate resilient economic recovery.** Even before the outbreak of COVID-19, IDA countries faced a persistent challenge with corruption, associated with shortcomings in public sector accountability and transparency. The scope for tax evasion and cross-border corruption increased when governments relaxed already weak administrative controls to expedite pandemic responses.<sup>16</sup> IFFs strip governments of resources and can impact the stability of countries' economies and of the global financial system. They help finance criminal activity, undermine the rule of law and political stability. And they can harm the broader economy by deepening inequality and weakening social cohesion across and within countries. Strengthening accountability systems to increase citizen trust is key to the pandemic response and the economic recovery.

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<sup>15</sup> Universally accessible GovTech services, which includes the modality and content of services, requires that services are designed in a manner that can be accessed, understood and used by all persons regardless of disability, age, use of assistive devices, location or internet access. It applies to hardware, such as. electronic kiosks, touch screen interfaces, and software components—websites, electronic documents, forms, e- portals, multimedia.

<sup>16</sup> FACTI Panel (2021). Financial Integrity for sustainable development. United Nations Department of Economic and Social Affairs

## ii. Proposed Policy Actions

### 31. IDA20's Governance and Institutions Cross-Cutting Issue proposes policy commitments to address these issues, operationalized both by the Cross-Cutting Issue and by the Special Themes.

- a. IDA20 Policy Commitments Operationalized through the Governance and Institutions Cross-Cutting Issue:
  - i. *Debt*: IDA20 will support IDA countries in publishing more comprehensive public and publicly guaranteed (PPG) debt reports or fiscal risk statements. (Governance and Institutions Cross-Cutting Issue Policy Commitment 1, see Section C of this Report)
  - ii. *Domestic Resource Mobilization*: IDA20 will support domestic resource mobilization. Increasing tax revenue is challenging during a crisis such as the pandemic. At the same time, IDA countries will face the need to generate significant fiscal space to enable human capital and green infrastructure investments. More equitable and efficient tax policy and administrative systems will enable IDA countries with persistently low tax revenues to generate resources for smart recovery efforts while promoting greater fairness, improved transparency, streamlined taxpayer services, and reduced corruption. This work builds on the experience in earlier IDA cycles. (Governance and Institutions Cross-Cutting Issue Policy Commitment 2)
  - iii. *Digital Government Services (GovTech)*: IDA20 will help strengthen policies and regulations to enable universally accessible digital government services as a part of the work to support resilient recovery. The need for GovTech solutions exists across the value chain of government service delivery, from developing inclusive whole-of-government digital strategies, to implementing integrated digital solutions to support the resilience of government, to ensuring citizen-focused, more inclusive and equitable access to services through mobile, internet, and in citizen service centers. (Governance and Institutions Cross-Cutting Issue Policy Commitment 3)
  - iv. *Addressing Illicit Financial Flows*: IDA20 will support countries to identify critical policy actions that address illicit financial flows and reduce tax evasion. IDA20 will scale-up support to enable more countries to address IFFs through comprehensive risk-based techniques to identify gaps, and through the adoption of whole-of-government mitigation plans. IDA will also enhance country support to improve beneficial ownership frameworks, which are critical tools for increasing the level of transparency necessary to effectively prevent and confront corruption and IFFs. (Governance and Institutions Cross-Cutting Issue Policy Commitment 4)
- b. IDA20 Governance and Institutions-related Policy Commitments Operationalized through Special Themes:
  - i. *JET*: IDA20 will support efficient and effective procurement and governance of quality infrastructure, contributing to sound fiscal management and ensure expanded

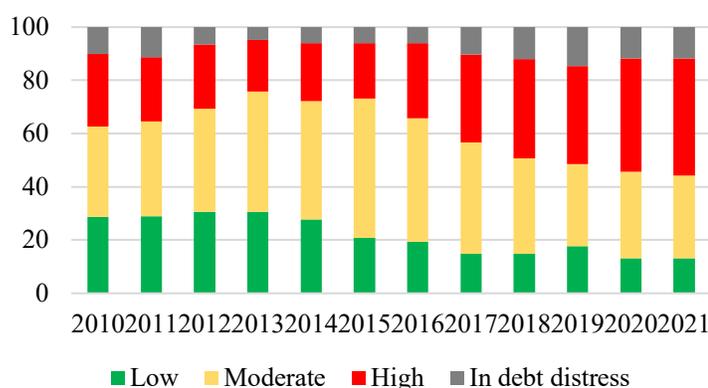
affordable access to enabling infrastructure services. IDA20 will also provide support for evidence-based policy making by promoting statistical capacity to reduce gaps in the availability of disaggregated socioeconomic data. (JET Special Theme Policy Commitments 3 and 8)

- ii. *Human Capital*: IDA20 will help countries leverage adequate, efficient human capital financing to help alleviate fiscal constraints in post-COVID recovery. (Human Capital Special Theme Policy Commitment 8)
- iii. *FCV*: IDA20 will establish and/or strengthen core government functions in IDA FCS countries that facilitate effective, inclusive, and responsive public services and improve the business climate. (FCV Special Theme Policy Commitment 3)
- iv. *Gender and Development*: IDA20 will enhance the capacity of tax and expenditure authorities to more effectively use government budgets to accelerate efforts to close gender gaps. IDA will support governments to better take into account the effects on gender gaps of revenue raising measures, including changes to tax systems to eliminate explicit and implicit gender biases, taking measures to support households struggling with added homecare responsibilities and services disproportionately affected by COVID-19, and taking steps to develop sex-disaggregated tax and expenditure data required to analyze the impact of fiscal policies on gender gaps. (Gender and Development Special Theme Policy Commitment 7)

### C. Debt

32. As a result of the pre-pandemic debt dynamics and the COVID-19 crisis, an increasing number of IDA countries face high risk of debt distress and debt servicing costs absorb large shares of revenues (Box 2.3). As of February 2021, 54 percent of IDA countries covered under the Low-Income Country Debt Sustainability Framework (LIC DSF) face a high risk of external debt distress or are already in debt distress (Figure 2.1).<sup>17</sup> Debt Sustainability Analyses (DSAs) for countries in unsustainable or near unsustainable debt situations show large breaches of liquidity thresholds, and several bond-issuers face high

Figure 2. 1. Risk of External Debt Distress in IDA



Source: World Bank/IMF LIC DSF Database as of end-March 2021

<sup>17</sup> Of the 34 IDA countries on the FY21 Harmonized List of Fragile Situations, 29 are covered by the joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries. As of April 2021, of these 29, two countries (Timor Leste and Myanmar) are at low risk of debt distress, 7 are at moderate, and 20 are at high or in distress.

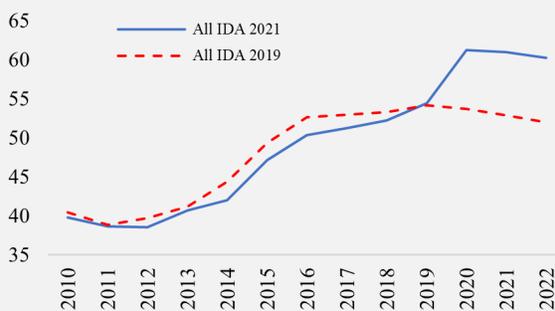
redemptions over the medium-term. Public debt service has absorbed an increasing share of countries' revenues, reflected in the increase of the public debt service-to-revenue ratio from 8 to 12 percent between 2017 and 2019.

**Box 2. 3. Increasing Public Debt Vulnerabilities in IDA Countries**

**Public debt vulnerabilities in IDA countries were increasing before the onset of the COVID-19 crisis, in the form of rising public debt levels and increased borrowing from non-concessional external sources (Figures B2.3.1 and B2.3.2).** Public debt levels in IDA countries have increased from an average of 40 percent of GDP in 2010 to 54 percent of GDP as of end-2019. Average public debt increases were highest in IDA-blend countries. Across income categories, average public debt increased sharpest in low-income countries (LICs), by 20 percent of GDP between 2010 and 2019. Across regions, public debt rose sharpest in Sub-Saharan Africa (SSA) and the Middle East and North Africa (MENA)<sup>1</sup>, by 23 and 24 percent of GDP between 2010 and 2019, respectively. The composition of public and publicly guaranteed (PPG) external debt in IDA countries has shifted towards non-Paris Club creditors and market-based debt, particularly Chinese lenders, and international bonds. The latter were issued mainly by IDA-blend and IDA-gap countries, however, also few IDA-only countries tapped markets, most recently Benin.

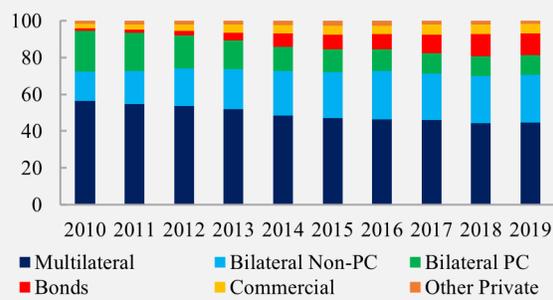
**The COVID-19 crisis substantially drove up financing needs and thereby public borrowing, while weakening IDA countries' economic performance and thereby their capacity to service and repay public debt.** Public gross financing needs in IDA countries increased to 11 percent of GDP on average in 2020, up from an average of roughly 7 percent of GDP during 2015 to 2019. Key drivers of overall and external public financing needs were large fiscal and current account deficits. Overall and external financing needs are projected to remain high over the short-term, until IDA countries can afford to unwind their expansive fiscal policy stance and until international trade in goods and services as well as non-debt creating flows, particularly foreign direct investment, pick up again. Countries capacity to service and repay elevated public debt is expected to recover only slowly, with gross domestic product, revenue and exports remaining below their pre-COVID-19 paths.

**Figure B2.3. 2. Public Debt in IDA Countries**  
(percent of GDP, average)



Source: *World Economic Outlook 2021, 2019.*

**Figure B2.3. 2. PPG External Debt Composition in IDA Countries**  
(share in total PPG external)



Source: *International Debt Statistics 2021*

**i. Addressing Debt as a Cross-Cutting Issue in IDA20**

33. **Public debt levels in IDA countries increased substantially due to the COVID-19 crisis, further reducing space for infrastructure investment and social spending.** Average public debt in IDA countries is expected to increase by 7 percent of GDP during 2020, reaching

61 percent of GDP by end-2020. Across regions, average debt is expected to increase the sharpest in South Asia, by 16 percent of GDP, followed by Europe and Central Asia, and Latin America and the Caribbean. Upper middle-income IDA countries, comprising exclusively small states, are expected to see their average public debt increase by 13 percent of GDP during 2020, substantially above the IDA average. Increases in fragile countries and across IDA categories are broadly in line with the overall IDA average.

**34. Debt is established as a cross-cutting issue in IDA20 to address public debt vulnerabilities in a comprehensive and integrated manner, based on the SDFP.**<sup>18</sup> The main building blocks of IDA's engagement on public debt vulnerabilities have remained consistent over time, including: (i) debt sustainability; (ii) debt transparency; (iii) debt management; and iv) implementing global debt initiatives, and were implemented through operational engagements, analytical work and technical assistance. The SDFP has been instrumental in mainstreaming public debt issues into operations and country-specific work. It is complemented by scaled up analytical work and technical assistance, as well as enhanced creditor outreach and support of global debt initiatives in the context of the joint World Bank/IMF Multipronged Approach to Address Debt Vulnerabilities (MPA).<sup>19</sup>

## **ii. Progress Under IDA19 and Proposed Actions in IDA20**

**35. The SDFP addresses debt sustainability and transparency challenges in a systematic and proactive way over a longer-term horizon, based on country dialogue, analytics, financing, and technical assistance.** Under the SDFP's Debt Sustainability Enhancement Program, countries at moderate or high-risk of debt distress, as well as those already in debt distress, define annual policy and performance actions (PPAs) to address main debt sustainability and transparency issues. PPAs include measures to better monitor and address broader public sector debt risks and aim at enhancing debt transparency, and some countries have implemented forward-looking frameworks for a medium-term programmatic engagement. Setting PPAs has been critical in further integrating public debt considerations in operations, technical assistance programs, and country dialogue systematically across many IDA countries. For transparency the PPAs have been made public on the IDA website. A review of the first-year implementation of the SDFP, committed originally for the IDA19 Mid-Term Review (MTR), will be prepared for discussion during the IDA20 replenishment.

**36. The SDFP has brought debt vulnerability issues to the forefront of policy dialogue with IDA-eligible countries.** Early lessons highlighted the opportunities and challenges of implementing the SDFP in the context of the COVID-19 crisis and the criticality of creditor outreach in complementing interventions at country and global levels. Dealing with fiscal challenges must be consistent with an appropriate policy response to the COVID-19 crisis. Debt sustainability in IDA countries could further deteriorate as debt is likely to rise further as governments and financial systems finance the recovery by facilitating the move of capital, labor,

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<sup>18</sup> <https://ida.worldbank.org/debt/sustainable-development-finance-policy>.

<sup>19</sup> World Bank Group; International Monetary Fund.2020. Update on the Joint World Bank/IMF Multipronged Approach to Address Debt Vulnerabilities (English). Washington, DC: World Bank Group. <http://documents.worldbank.org/curated/en/351311607717096586/Update-on-the-Joint-World-Bank-IMF-Multipronged-Approach-to-Address-Debt-Vulnerabilities>

skills, and innovation to a post-pandemic economic environment.<sup>20</sup> The SDFP will be an important element of addressing debt sustainability, but successful outcomes require a number of complementary adjustments on the macroeconomic and growth side as well as a sustained and coordinated support by other creditors, including private, and the countries themselves.

**37. The joint World Bank/IMF MPA is aligned with the SDFP and has been instrumental in scaling up capacity development, debt transparency efforts, and creditor outreach.** The MPA is a framework to address debt vulnerabilities in an integrated and comprehensive way. It aims at strengthening public debt transparency and capacity development by through scaled-up technical assistance, the provision of suitable tools for public debt analysis, enhanced integration of assistance in operations, and supports the adaptation of World Bank and IMF policies. The MPA has also strengthened outreach activities to creditors, which led among other results to the development of the G20 bilateral financing self-assessment tool, which helps G20 creditors in implementing transparent and sustainable financing practices.<sup>21</sup> Efforts on enhancing transparency and supporting sustainability have also fed into supporting G20 creditors in developing and implementing global debt initiatives.

**38. The Debt Service Suspension Initiative (DSSI), extended until end-2021, has provided 43 IDA countries with 5.7 billion in debt service suspension during 2020.**<sup>22</sup> To provide countries with much needed liquidity and fiscal space to address the COVID-19 crisis, the Development Committee, the International Monetary and Financial Committee, and the G20 Finance Ministers endorsed the DSSI in April 2020. While the DSSI provided countries with crucial room to maneuver, the absence of private creditor participation and inconsistent application among creditors limited its effectiveness. It is critical that policies such as DSSI are only temporary measures to make space until permanent solutions can be ensured. Debt standstills defer payments of interest and principle, but do not reduce debt levels.<sup>23</sup>

**39. Beyond the DSSI, the G20 endorsed the Common Framework (CF) at end-2020.** The CF applies to the same 73 countries that are eligible to participate under the DSSI.<sup>24</sup> It aims at providing debt treatments, including deep net present value reductions if needed, to countries that are either in unsustainable debt situations or countries that face excessive debt service burdens over the medium-term. Key technical aspects of the CF have already been defined, including broad creditor participation and the requirement for borrowers to seek comparable treatment from all other official bilateral and private creditors.

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<sup>20</sup> World Bank. 2021. Global Economic Prospects, January 2021. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/34710>

<sup>21</sup> <https://www.worldbank.org/en/programs/debt-toolkit/resources#5>

<sup>22</sup> The WBG's announced response to COVID-19 of up to \$160 billion over April 2020 to June 2021 highlights the WBG's role as provider of positive net flows in a more constrained financing environment for our clients. This includes earlier planned capacity brought forward to the first year of the IDA19 replenishment. By April 2021, IDA commitments reached almost \$41 billion, with countries facing the steepest debt burden (DSSI-eligible) receiving \$35 billion. Between April 2020 and April 2021, DSSI-eligible countries benefitted from net transfers of \$17.5 billion from IDA, of which \$5.7 billion is on grant terms, and the bulk of the rest on highly concessional IDA terms.

<sup>23</sup> World Bank. 2021. Global Economic Prospects, January 2021. Washington, DC: World Bank Group. <https://openknowledge.worldbank.org/handle/10986/34710>

<sup>24</sup> <https://www.worldbank.org/en/news/factsheet/2020/05/11/debt-relief-and-covid-19-coronavirus>.

40. **Debt transparency surfaced as a particularly critical policy challenge against the background of rising public debt vulnerabilities.** Transparency is important to ensure that governments and creditors take informed decisions and that debt sustainability assessments are based on a comprehensive coverage of the entire public sector debt burden. It is also critical for government to be able to adequately monitor and mitigate debt-related fiscal risks. However, public debt transparency has been lagging in IDA countries, curbed by capacity challenges, governance challenges, and in some cases by excessive creditor confidentiality clauses. While more countries have been publishing public debt reports, including with the help of the World Bank, reporting remains often insufficient. The World Bank has also been supporting IDA countries on improved reporting and dissemination practices which include publication of key debt management reports and other country-relevant debt data, including on central government guarantees, account payables, collateralization details and framework for contingent liabilities.

41. **The World Bank has published a debt transparency heatmap that helps monitor improvements in public debt reporting.** Results from the October 2020 debt reporting heatmap of the WBG show that in almost half of DSSI-eligible countries, debt reports are either unavailable on public websites or outdated (2019 or before). Among countries that publish debt data on their websites, only one-third of published data go beyond the central government and the instrument coverage is suboptimal in one fourth of countries. The IMF and the World Bank are engaged in extending the sectoral and instrument coverage of their debt statistics and reports—including in DSAs.

42. **Debt-related commitments under the IDA19 cycle were designed to address the main challenges stemming from limited transparency of public debt and borrowing decisions, as well as broader public sector debt risks.** IDA19 debt commitments comprised enhancing debt transparency and improving fiscal risk management practices. As outlined above, enhancing debt transparency – both of public debt and borrowing decisions - is critical for comprehensive debt assessments, for accountability and the effective use of proceeds, and for effectively monitoring broader public sector debt risks. Sound fiscal risk assessments are crucial for countries to better manage risks and shocks, and help countries maintaining macroeconomic stability, fiscal space, and therefore sustainable development.

43. **Implementation of the IDA19 commitments led to more countries publishing debt reports and several countries have broadened their public debt coverage.** For the first time, several countries have published an assessment of their debt management strategy implementation. IDA countries capacity in reporting on public debt and borrowing, as well as broader fiscal risk assessments was low at the outset of IDA19. The World Bank established a comprehensive fiscal risk program, providing countries with comprehensive fiscal risk management diagnostics, capacity development on recording and reporting of fiscal risks, as well as preparing risk management strategies for specific debt related fiscal risks and publishing fiscal risk statements. Specific tools for the evaluation and management of government guarantees and risks from state-owned enterprises (SOEs) were designed and implemented. Several countries have published fiscal risk reports because of assistance provided, several have implemented strategies to manage specific debt related fiscal risks. Nevertheless, challenges remain. Debt reporting often remains limited in terms of instrument and sectoral coverage.<sup>25</sup> Capacity development on fiscal risks has

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<sup>25</sup> <https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report>.

shown that base-capacity is low in IDA countries. In addition, institutional arrangements and risk management frameworks are often insufficient.

44. **IDA20's debt policy commitment supports more comprehensive reporting of PPG debt and the publication of fiscal risk statements, further stepping up the quality and comprehensiveness of targeted outcomes to support countries address high debt vulnerabilities and rebuild from the crisis.** Due to low initial capacity, enhancing debt transparency and improving fiscal risk assessments require recurring and programmatic assistance to ensure that capacity is built gradually but sustainably, and that institutional and legal setups provide effective frameworks for sustainable progress. IDA19 built the foundation for transparency and fiscal risk assessments, focusing on supporting countries build basic capacity. The IDA20 commitment advances the quality of outcomes, shifting the focus from publishing debt reports to enhancing their comprehensives by including additional subsectors of the public sector, including SOEs, and by focusing on comprehensive fiscal risk statements that help mitigate key risks. (Governance and Institutions Cross-Cutting Issue Policy Commitment 1).

## **D. Technology**

### **i. Progress Under IDA19 and Lessons Learned**

45. **The COVID-19 crisis highlights the key role of technology in supporting national resilience.** Improving access to and use of digital infrastructure and digital applications across critical sectors offer an opportunity for governments, individuals, and businesses to cope with social distancing, ensure business continuity, and prevent service interruptions. Specific measures will be necessary in IDA20 to significantly increase the adoption of applications of digital technologies by businesses, facilitate the expansion of new digital business models, as well as revamp digital skills and competencies frameworks.

46. **The pandemic has further underscored issues related to the digital divide.** Access to digital infrastructure and connectivity remains severely limited in IDA countries, which lag behind non-IDA countries by a significant margin, with impacts on productivity and job creation.<sup>26</sup> Beyond challenges related to access, skills gaps and affordability issues contribute to low usage levels in IDA countries.

47. **Integration of digital solutions in key sectors is a path to resilient recovery for IDA countries and can enable countries to build resilience.** Digital technologies support health responses (for example, telemedicine, digital platforms for vaccine administration); mitigate mobility restrictions (for example, home-based work, mobile payments); help SMEs during downturns (for example FinTech); deliver agricultural inputs (for example, e-vouchers); enable more effective administration of social safety net programs (for example, mobile payments); and sustain education efforts (for example education apps, virtual classes).

48. **Serious issues related to cybersecurity and data privacy present new governance challenges in IDA countries and beyond, with impacts cutting across many sectors.**

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<sup>26</sup> While mobile coverage has expanded rapidly on a global level, IDA countries still lag far behind, with mobile internet penetration rates of 20.4 percent at the end of 2019, compared to 62.5 percent for other countries.

Cybersecurity risks are growing rapidly with digitalization and are compounded in IDA countries by the lack of sufficient legal frameworks on data governance and data protection. IDA20 will support the development and strengthening of secure and reliable data systems by adopting an operational approach to assess cybersecurity risks across WBG operations, identifying and addressing risks, and supporting clients to develop policies and capabilities. IDA's support under GovTech includes helping countries formulate appropriate legal frameworks for data security and privacy and adopt universally accessible GovTech solutions to enable digital government services.

**49. IDA20 will build on progress made in IDA19 against technology-related policy commitments in the JET Special Theme (Policy Commitment 5), the Gender and Development Special Theme (Policy Commitments 2 and 4), and the FCV Special Theme (Policy Commitment 5).** Over past cycles, IDA has built a large operational portfolio in support of the digital economy. For instance, through the *Digital Economy for Africa* initiative, IDA supports key reforms and public investments in areas such as digital infrastructure, public digital platforms, digital financial services, and digital entrepreneurship through 97 active operations. IDA20 will build on key lessons from this and earlier work, such as the critical need to focus not only on access to the Internet and mobile technology, but also on usage, affordability, and inclusion.

## **ii. Proposed Policy Actions**

**50. As a Cross-Cutting Issue, technology will serve as a “connective” tissue across IDA20 Special Themes and the overall IDA portfolio.** To speed up digital transformation, IDA20 will focus both on strengthening the foundations for digital infrastructure, skills, financial services, and businesses, as well as on applications across sectors. For instance, the Identity for Development (ID4D) initiative, brings global knowledge, cross-sector expertise, and financing to help countries realize the transformational potential of identification – while enabling people to access a range of services and exercise their rights. IDA20 will also help mitigate the risks of digital exclusion and support the creation of reliable, cyber-secure data systems.

**51. IDA20 will support countries to address the added challenges posed by COVID-19, and leverage resources available throughout the WBG – as well as with external partners - to accelerate the closing of the digital divide.** Policy commitments related to technology are embedded in the JET, Human Capital Gender and Development Special Themes, as well as in the Governance and Institutions Cross-Cutting Issue, reflecting the cross-cutting nature of the issue:

- a. *JET*: IDA20 will reflect the critical need for going beyond access to technology to also address issues related to affordability, usage, and inclusion. Addressing the gaps exposed during the pandemic, IDA20 will focus on expanding the adoption and upgrading of digital technologies in private sector recovery and transformation. (JET Special Theme Policy Commitments 6 and 7)
- b. *Human Capital*: IDA20 will support adaptive social protection systems, including through increased use of digital technology, increased access to official digital ID and civil registration systems. adaptive social protection systems, including the use of digital technologies. IDA20 will also support countries to meet the needs of people living with

disability, including by enabling universal access to services supported by IDA, including in education, health, social protection, water, urban, digital development and/or transport. (Human Capital Special Theme Policy Commitments 4 and 6)

- c. *Gender and Development*: IDA20 will merge and deepen two IDA19 policy commitments to address a persistent gender gap in the access to - and use - of technology, through increased coverage in sectors such as agriculture and finance and using bundled interventions. (Gender and Development Special Theme Policy Commitment 4)
- d. *Governance and Institutions*: IDA20 will support countries to make progress towards universally accessible GovTech policies, regulations, or solutions to enable digital government services. (Governance and Institutions Cross-Cutting Issue Policy Commitment 3)

### III. WAY FORWARD

52. **IDA20 will support client countries to respond to and recover from the pandemic, and to withstand future shocks by addressing key foundational challenges related to Crisis Preparedness, Governance and Institutions, Debt, and Technology.** The devastating effects of the COVID-19 outbreak is a stark reminder of the need to invest in crisis preparedness and that strengthened governance and institutions are core to resilience. It also underscores that many IDA countries remain burdened by unsustainable debt levels, which need to be addressed. As we confront these foundational issues, technology will be central to our recovery. By laying a strong foundation in these mutually reinforcing areas, IDA countries will be better placed to address the ongoing crisis, preempt, and respond to future ones, and generate longer-term beneficial effects.

53. **IDA will address Cross-Cutting Issues through operations in sectors across the portfolio, which will be monitored as part of the core results measurement system.** In addition, Cross-Cutting Issues-targeted policy commitments will be operationalized as part of the Climate Change, Gender and Development, JET, FCV, and Human Capital Special Themes, which will monitor and report on progress against the individual policy commitments on a regular basis. These implementation arrangements, progress against the commitments, and implementation challenges will be reviewed as part of the IDA20 MTR.

#### **IV. QUESTIONS FOR GUIDANCE**

54. **Management seeks guidance from IDA Participants on the following questions:**
- a. Does the renewed Cross-Cutting Issues architecture help IDA20 to be more effective in supporting responses to crises and in catalyzing interventions for more resilient economies and societies?
  - b. Do policy commitments highlighted in this paper target the most pressing foundational challenges?