

WORLD BANK GROUP GLOBAL CRISIS RESPONSE PLATFORM

AUGUST 24, 2016

Development Finance, FCV CCSA, OPCS and MENA

Abbreviations and Acronyms

AIDS	Acquired Immune Deficiency Syndrome
CAT DDO	Catastrophe Deferred Drawdown Option
CERC	Contingent Emergency Response Component
CFE	WHO Contingency Fund for Emergencies
CRW	IDA Crisis Response Window
DARP	Debt and Asset Recovery Program
DDO	Deferred Drawdown Option
DON	Disease Outbreak News
DPF	Development Policy Financing
DRM	Disaster Risk Management
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility Conflict and Violence
FIF	Financial Intermediary Fund
FSAP	Financial Sector Assessment Program
GAFFSP	Global Agriculture and Food Security Program
GCRP	Global Crisis Response Platform
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GFRP	Global Food Crisis Response Program
GHTA	Global Health Security Agenda
GIIF	Global Index Insurance Facility
GTFP	Global Trade Finance Program
GTLF	Global Trade Liquidity Program
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDP	Internally Displaced People
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IFRC	International Federation of Red Cross and Red Crescent Societies
IHR	International Health Regulations
IMF	International Monetary Fund
IPF	Investment Policy Financing
IRM	IDA Immediate Response Mechanism
IDB	Islamic Development Bank Group
LIC	Low Income Country
MD	Managing Director
MDB	Multilateral Development Bank

MDTF	Multi Donor Trust Fund
MENA	Middle East and North Africa
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
MENA CFF	Middle East and North Africa Concessional Financing Facility
MSF	Médecins Sans Frontières
NGO	Non-governmental Organization
OIE	World Organization for Animal Health
PEF	Pandemic Emergency Financing Facility
PforR	Program-for-Results
PRI	Political Risk Insurance
REDISSE	Regional Disease Surveillance Systems Enhancement
RPBA	Recovery and Peace-Building Assessments
RSR	Rapid Social Response Program
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
SSAL	Special Structural Adjustment Loan
SARS	Severe Acute Respiratory Syndrome (also SARS-associated Coronavirus)
TAR	Turnaround Regime
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
WBG	World Bank Group
WFP	World Food Programme
WHO	World Health Organization

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EXECUTIVE SUMMARY

1. **The world faces major threats that undermine developing and developed countries alike – three of the most pressing ones are climate change and related natural disasters; fragility and conflict which, along with climate change, have resulted in the massive displacement of people; and the threat of a future pandemic.** Such crises are occurring with increasing frequency, intensity and duration, wiping away decades of hard-earned economic and social gains.

- Direct financial losses from natural disasters reached an average of US\$165 billion per year during the last decade. And the risks posed by climate change continue to escalate. Recent data indicate that climate change may push 100+ million people into poverty in the next 15 years, with enormous costs.
- The aggregate economic cost of conflict and violence on the global economy was estimated at US\$14.3 trillion in 2014, or 13.4 percent of world GDP.¹
- A record 65.3 million people today are displaced worldwide compared with 40 million at the end of the Second World War; the majority of the world's forced migrants are internally displaced within Africa and the Middle East.
- In a world in which viruses move and mutate with speed, pandemics pose an increasingly serious threat to global health and economic security; the annual global cost of a moderate to severe pandemic is estimated at US\$570 billion, or 0.7 percent of global income. Estimates suggest that if the world were to face a fast-moving, airborne disease, such as the Spanish flu outbreak of 1918-19, it would kill more than 33 million people in 250 days and erode 4.8 percent of global GDP – more than US\$3.6 trillion.

2. **In addition, while global economic recovery from the financial crisis of 2008-09 continues, risks remain due to tensions in financial markets, commodity price fluctuations, sluggish trade and investment, and weak labor markets.**

- As a result of the financial and economic crisis of 2008-09, average GDP growth among World Bank Group (WBG) client countries declined from 6 percent in 2005–07 to 1 percent in 2009. Also, in mid-2008, the world experienced large spikes in key global food prices which were estimated to have kept or pushed 105 million people into poverty in low-income countries.

3. **In an increasingly inter-connected world, where events that originate in one part of the world can spread rapidly to others, the threats noted above pose a serious challenge not only to global security, but also to economic security, stability, and our ability to end extreme poverty and achieve the Sustainable Development Goals (SDGs).**

¹ Institute for Economics and Peace (2015) Global Peace Index.

4. **Addressing the challenge posed by these threats requires an integrated approach, which (a) spans the various phases of crisis risk management – prevention and preparedness, response, and recovery and reconstruction; (b) recognizes the need for multi-sectoral interventions; (c) crowds in private sector resources and capacity; (d) bridges the gap between humanitarian and development assistance; and (e) acknowledges that, together with the poorest countries, support to middle-income countries (MICs) must be bolstered when they provide “global public goods” or contribute to fighting “global public bads”.**

- ***Crisis risk management must include dedicated financing to support a phased set of country-centered, globally supported activities.*** These include: (1) prevention and pre-crisis preparedness; (2) response and containment; and (3) recovery and reconstruction. As response and support for country risk management plans moves through each of these phases, different funding amounts are needed, channeled through different partners, different planning processes, and different instruments. Traditional country and development financing – loans, credits, grants, and guarantees – is used to build country preparedness as well as to support recovery from loss.
- ***Crisis risk management must also recognize that effective solutions to today’s crises often require cross-sectoral interventions.*** For example, to address challenges related to the protracted refugee crisis, host countries need to focus on a range of interventions, from basic safety and security, to the provision of housing, health, education and safety nets, to jobs and economic security.
- ***Concerted efforts are needed to find ways to strategically use public sector funds to leverage private sector resources (including risk capital), and create incentives for the private sector to lend its capabilities to prepare for and respond to crisis.*** The different parts of the WBG can work together to support these efforts.
- ***To transcend the humanitarian-development divide, crisis risk management must provide a more coherent approach to plan and “act with greater urgency to tackle people’s vulnerability, inequality and risk”*** as highlighted by the World Humanitarian Summit 2016, and to help ensure that countries can be put back on the pathway to achieving resilience and national development targets as soon as possible.
- It is important to note that, ***while support must be strengthened for the poorest countries*** which, more often than not, are the most vulnerable to the impacts of financial, environmental, epidemiological and conflict-related threats, the recent influx of refugees into countries like Jordan and Lebanon highlights the ***need for better ways to also support MICs when they provide global public goods.***

5. **Since the establishment of IBRD, crisis prevention and preparedness; response recovery and reconstruction (the “R” in IBRD) have been integral to the Bank’s mission. The Bank has been involved in this work over the past 70 years and has built up a strong track record of supporting countries along all phases of the risk management continuum and across a variety of crises.**

- Over the past 10 years (FY06-16), total crisis-related IBRD and IDA commitments are estimated roughly at around US\$110 billion: this is equivalent to over a quarter of IBRD and IDA commitments (27.4 percent of US\$403 billion).² This support has gone towards prevention and preparedness, response, and recovery and reconstruction. Of these commitments, operations totaling US\$15.2 billion, included components focused on preparedness and mitigation.
- IDA and IBRD support has been complemented by the mobilization/management of external resources through contributions to trust funds focused on all phases of risk management, totaling approximately US\$22.5 billion. The Bank also helps manage Financial Intermediary Funds (FIFs) that provide significant resources directed at different kinds of crises.
- International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). During the economic and financial crisis of 2008, IFC's support focused on helping emerging markets access working capital and refinance debt, and on mitigating the impact of the crisis on otherwise well-functioning banks and firms. MIGA's support included a new Financial Sector Initiative to support financial institutions.

6. **Government leadership is vital for dealing with crisis.** Managing crisis risks requires investing in national preparedness plans and delivery systems. The lack of national systems contributes to delays and inefficiencies, which increase response costs to crisis. Dealing with crisis in fragile and conflict-affected states (FCS) with compromised security and political environments can severely limit the ability of the WBG, its clients, and other development partners and CSOs/NGOs to work on the ground. This requires appropriate strategies, with a focus on establishing strong oversight to ensure transparency, accountability, and performance management, combined with working relationships with security actors, including UN peacekeeping and political missions.

7. **Coordination and partnerships have been essential features of the WBG's crisis-related work.** Indeed in most cases, the WBG acts as part of a broader collaborative response from the international community. This includes bilateral donors, the private sector and NGOs, the IMF, and other multilateral development organizations, acting under the leadership of recipient governments.

8. **Reports by the Independent Evaluation Group (IEG) and others indicate that the WBG is an important lifeline for countries struck by crises, that it has responded effectively to countries in distress, and that it has kept a strong focus on learning and innovation – but to address future, often unpredictable crises it must continue to improve agility, strengthen its toolkit, and take on a more holistic crisis management approach.** Drawing on lessons, the WBG's approach has evolved from a focus on post-crisis response and recovery that was carried out mainly through restructuring projects and/or reallocating resources within a country portfolio (thereby diverting resources from long-term development activities), towards dedicated financing

² This is based on a search of crisis-related key words and a quick review of all IBRD and IDA commitments during FY06-16. Due to the limitation of the methodology used, this is likely an under-estimate.

mechanisms (like IDA’s Crisis Response Window), and targeted instruments and products.³ Furthermore, the WBG has been shifting from *ad hoc* financing of crisis response activities to a more structured and holistic approach that addresses both pre-crisis and post-crisis needs, for an increasing variety of crisis situations. As part of the recent reorganization, the WBG is now also better placed to tackle the often regional and global causes of crisis.

9. **Against this backdrop, and in response to calls from the Development Committee in April 2016, the G-20 Finance Ministers and Central Bank Governors, and others,⁴ the WBG is bringing together its crisis-related mechanisms, instruments and products under the umbrella of a *Global Crisis Response Platform* (GCRP) (see the Figure below for a snapshot).** In April 2016, the Development Committee asked the WBG to “explore options to develop a long term global crisis response platform.” Further, the G-20 Finance Ministers and Central Bank Governors statement from the Chengdu Summit, July 23-24, 2016 notes “the ongoing discussion within the WBG on considering a global crisis response platform”. The GCRP encompasses, and builds on, existing WBG crisis-related funding mechanisms, financing instruments, and financial and knowledge-based products, along with a number of ongoing and proposed initiatives designed to fill any gaps in the architecture in terms of financing, instruments and products.

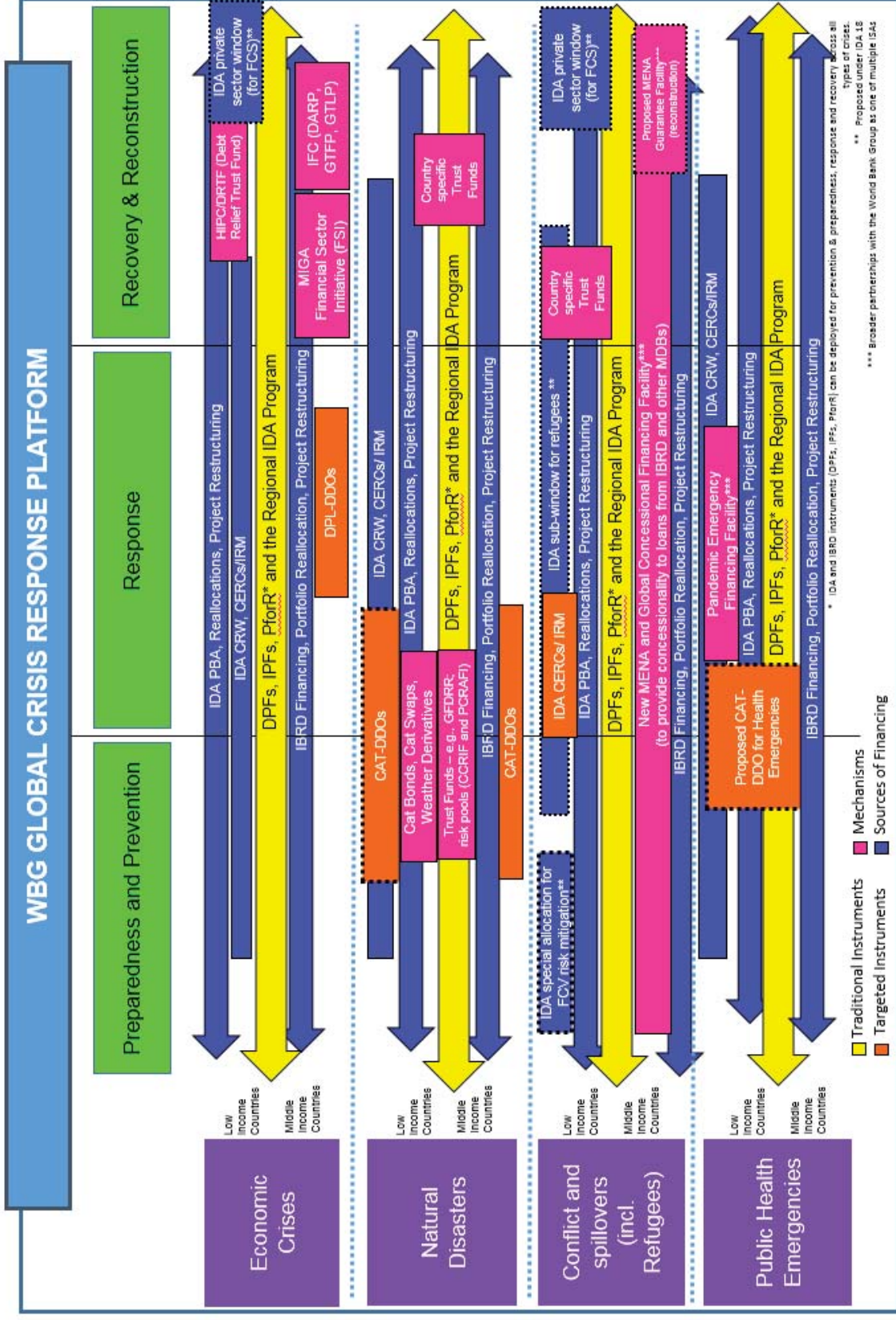
10. **The GCRP’s main value added will be to provide scaled up, systematic and better coordinated support for managing and mitigating current and future crises, across the spectrum of risks and vulnerabilities facing the WBG’s clients.** The Platform will allow the WBG to strengthen synergies across various units working on risk mitigation and crisis management; ensuring that various initiatives, instruments and products complement each other and can be deployed smartly, and that gaps in the architecture are filled; and make sure that relevant knowledge and experience is shared across the WBG and its clients.

11. **The approach guiding the GCRP recognizes that, while predicting the nature and extent of future crises is difficult, it is critical to invest in efforts to prepare local actors and the international community, to enable them to adapt quickly and respond effectively to a wide range of events.** The GCRP therefore emphasizes the need for the WBG to further strengthen the capacity of member countries – LICs and MICs, alike – to manage risks and reduce vulnerability. It also focuses increased attention on the need to further strengthen the global response to regional and global drivers of crisis as integral to better management and mitigation over time. This requires balancing investments in risk assessment and early warning tools, enhanced capacity for prevention and preparedness, and provision of resources for early and adequate response, recovery and reconstruction, once the crisis hits. An underpinning assumption is that much of this support at the prevention, preparedness and recovery stages will come through the WBG’s regular engagement in countries.

³ “Enhancing IDA’s Capacity to Respond to Severe Crisis”, Report#53252, World Bank, February 2010.

⁴ In March 2016, the US circulated to Bank shareholders and management a proposal for a Global Crisis Response Platform to address “all kinds of crises, including exogenous shocks such as pandemics and natural disasters”. In June 2016 the UK circulated a “Non-Paper” on “Crisis Finance” and informally asked the Bank to develop actions in a number of areas.

WBG's Global Crisis Response Platform: Financial Mechanisms and Instruments



12. **Several new initiatives are under way to strengthen the WBG’s crisis prevention and preparedness capacity, and will be encompassed by the GCRP:**

- **The IDA18 package, currently under negotiation, will be strongly focused on crisis risk prevention, preparedness, and disaster risk management (DRM).** The goal is to step up IDA support to countries for crisis prevention and preparedness, so as to build country resilience. Efforts are under way, for example, to strengthen support to countries on preparedness for health outbreaks and provide universal health coverage. As part of this, a special risk mitigation allocation is proposed under IDA18 to support countries facing higher levels of FCV-related risks.
- Building on the WBG’s increasing engagement to address fragility and to support conflict-affected countries, **new knowledge-based tools are being developed to incentivize investments in actions that address and mitigate FCV-related risks.** A systematic risk scan is currently being developed to effectively monitor the evolution of a number of risk flags across all countries. In addition, the WBG is carrying out research to better understand how development investments can be used to prevent risks of conflict and violence over time.
- In addition, there are **several proposals to innovate on existing instruments and products.** For example, as part of the proposed strengthening of IDA’s risk mitigation capacity under IDA18, there is a proposal to make the Catastrophe Deferred Drawdown Option (CAT DDOs) available to IDA countries. Going forward, Bank management also intends to use CAT DDOs for public health emergencies, such as pandemics. This would provide liquidity not only when an outbreak escalates to an emergency situation but also at an early stage to prevent such an escalation.

13. **New initiatives, which will serve to strengthen the WBG’s crisis response, recovery and reconstruction capacity, include the following:**

- Bank Management proposes to **significantly scale up IDA’s crisis response capacity under the ongoing IDA18 negotiations**, through:
 - a potential doubling of IDA resources allocated to address FCV in IDA18;
 - a larger Crisis Response Window; and
 - a new sub window for refugees under the IDA regional program.
- The new **MENA Concessional Financing Facility** (MENA CFF) to help Jordan and Lebanon address challenges associated with the recent influx of refugees.
- A proposed **Global Concessional Financing Facility**, to help all MICs address the challenge of refugees.
- The recently approved **Pandemic Emergency Financing Facility** (PEF), designed to provide timely and effective support to IDA-eligible countries to help them respond to severe disease outbreaks with pandemic potential.

14. **Efforts will be made to build on the WBG’s successes in intermediating products financed by the markets, including issuing catastrophe bonds, facilitating the regional pooling of risk, or accessing insurance markets.** This can take the form of purely technical assistance with transactions, or the Bank can play a more activist role, helping to develop a private sector market for a new product, as it is doing with the PEF. While the offer in these areas is substantial and growing, improvements can be made. For example, the benefits of **pooling risks** need to be further examined along with opportunities to develop proposals on risk pooling to help countries reduce the cost of the crisis financing products that they buy directly from WBG or from the private sector through WBG intermediation. More can also be done to develop new private sector-based risk markets to cover emerging risks.

15. **Over the medium term, there might be a case to establish a new, flexible funding mechanism within the Bank for risk mitigation and crisis management support to IBRD countries; this would mirror IDA’s CRW.** Such a mechanism, if developed, could serve as a substitute for the variety of individual trust funds that tend to be established in the wake of a crisis, thereby helping to reduce transactions costs and increase the speed of response. It could draw on donor resources to complement IBRD support, leverage private sector resources, and provide support through a variety of means, for example, insurance, debt buy-downs, concessional funds to co-finance IBRD loans, etc.

16. **The WBG is well poised to take on an expanded role in crisis risk management.** With its global reach, understanding of local contexts and in-country relationships, technical expertise, rich toolkit of financial and knowledge-support instruments, capacity for innovation, and focus on long-term development, the WBG has strong comparative advantages to take on an expanded role in assisting countries with comprehensive crisis risk management and mitigation. Effective delivery will require coordination with UN and humanitarian agencies, other Multilateral Development Banks (MDBs), bilateral donors and development partners, which all play a critical role in crisis risk management.

17. **Operationalizing the GCRP will require putting in place appropriate mechanisms to facilitate the sharing and dissemination of knowledge and information across WBG units on ongoing initiatives and to support client-facing units in their country dialog on crisis management.** At the top management level, crisis platform meetings will be convened as and when needed and chaired at the Managing Director level. In addition, a senior working-level coordination mechanism will be established to share information and lessons learned, to ensure coherence across various on-going initiatives and to guide work on identified priority actions, building, for example, on reviews of financing mechanisms and instruments that are currently undertaken.

World Bank Group Global Crisis Response Platform

I. Introduction

1. **The world faces major threats that undermine developing and developed countries alike – three of the most pressing ones are climate change and related natural disasters; fragility and conflict which, along with climate change, have resulted in the massive displacement of people; and the threat of a future pandemic. Such crises are occurring with increasing frequency, intensity and duration, wiping away decades of hard-earned economic and social gains (see Figure 1).**

- In mid-2008, the world experienced large spikes in key global food prices. The Bank's Food Price Index rose by 60 percent in the course of just a few months, and international prices of maize, rice, and wheat increased by 70 percent, 180 percent, and 120 percent, respectively, compared to the mid-2007. These price spikes were estimated to have kept or pushed 105 million people into poverty in low-income countries.
- Direct financial losses from natural disasters reached an average of US\$165 billion per year during the last decade. Similarly, the risks posed by climate change continue to escalate. Recent data indicate that climate change may push 100+ million people into poverty in the next 15 years, with enormous costs.
- The aggregate economic cost of conflict and violence on the global economy was estimated at US\$14.3 trillion in 2014, or 13.4 percent of world GDP.⁵
- A record 65.3 million people today are displaced worldwide compared with 40 million at the end of the Second World War; the majority of the world's forced migrants are internally displaced within Africa and the Middle East.
- In a world in which viruses move and mutate with speed, pandemics pose an increasingly serious threat to global health and economic security; the annual global cost of a moderate to severe pandemic is estimated at US\$570 billion, or 0.7 percent of global income. Estimates suggest that if the world were to face a fast-moving, airborne disease, such as the Spanish flu outbreak of 1918-19, it would kill more than 33 million people in 250 days and erode 4.8 percent of global Gross Domestic Product (GDP) – more than US\$3.6 trillion.

2. **In addition, while global economic recovery from the financial crisis of 2008-09 continues, risks remain due to tensions in financial markets, commodity price fluctuations, sluggish trade and investment, and weak labor markets.**

- During the financial and economic crisis 2008-09, average GDP growth among Bank client countries declined from 6 percent in 2005–07 to 1 percent in 2009; GDP growth in the hardest hit regions of Europe and Central Asia and Latin America and the Caribbean went from a positive 7 percent in 2005–07 to a negative 2 percent in 2009. Private credit growth in Bank client countries went from 9 percent in 2007 to 3 percent in 2009.

⁵ Institute for Economics and Peace (2015) Global Peace Index.

3. **In an increasingly interconnected world, where problems that develop in one part of the world can spread rapidly to others, the threats noted above pose a serious challenge not only to global security, but also to economic security, stability, and our ability to end extreme poverty and achieve the Sustainable Development Goals.**

4. **Addressing the challenge posed by these threats requires an integrated approach, which (a) spans the various phases of crisis management – prevention and preparedness; response, recovery and reconstruction; (b) recognizes the need for multi-sectoral interventions; (c) crowds in the private sector; (d) responds to the recent World Humanitarian Summit’s call to bridge the gap between humanitarian and development assistance; and (e) acknowledges that together with the poorest countries, support to middle-income countries (MICs) needs to be bolstered when they provide a global public “good” or fight global public “bads”.** Importantly, it requires better management and mitigation of the many risks related to natural disasters, conflict and fragility, and pandemics.

5. **Appropriate crisis risk management must include dedicated financing to support a phased set of country-centered, globally supported activities.** These include: (1) prevention and pre-crisis preparedness; (2) response/containment; and (3) recovery and reconstruction. As response and support for country risk management plans moves through each of these phases, different funding amounts are needed, channeled through different partners, different planning processes, and different instruments. Traditional country and development financing – loans, credits, and grants – is used to build country preparedness as well as to support recovery from loss.

- First and foremost, investments are needed in prevention and pre-crisis preparedness – i.e., programs to address underlying risk factors and to build resilient systems (e.g. robust safety nets) and institutions as well as strong capacities to identify and assess risks (crisis surveillance and early warning tools, data sharing, etc.), particularly in the poorest countries.
- Second, there is a need to strengthen national and international capacity to respond to emergencies, including the ability to provide timely and effective surge financing to contain the impact of severe shocks or outbreak of crises.
- Third, improving crisis management requires an enhanced capacity to conduct data collection, analytic work, research, risk assessments, policy dialogue, share knowledge, and prepare toolkits.
- Fourth, capacity and financing to deal with recovery and reconstruction need to be bolstered in ways that tackle the root causes of the crisis as well as the symptoms, including through better partnerships to engage in insecure environments.

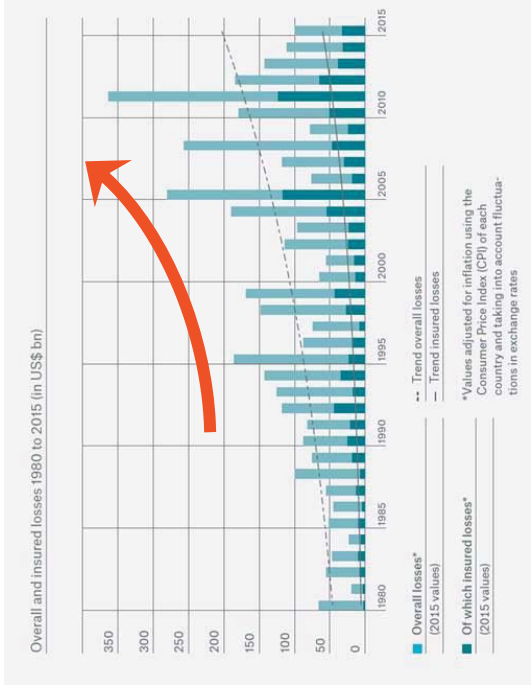
6. **Crisis risk management must also recognize that effective solutions to today’s crises often require cross-sectoral interventions.** For example, to address challenges related to the protracted refugee crisis, host countries need to focus on a range of interventions, from basic safety and security, to the provision of housing, health, education and safety nets, to jobs and economic security.

Figure 1: Increased frequency and severity of crises

Natural Disasters: Growing Number of Loss Events

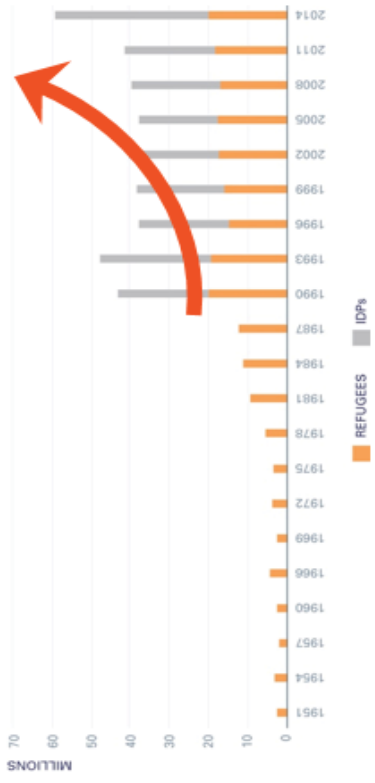


Natural Disasters: Growing Overall and Insured Losses

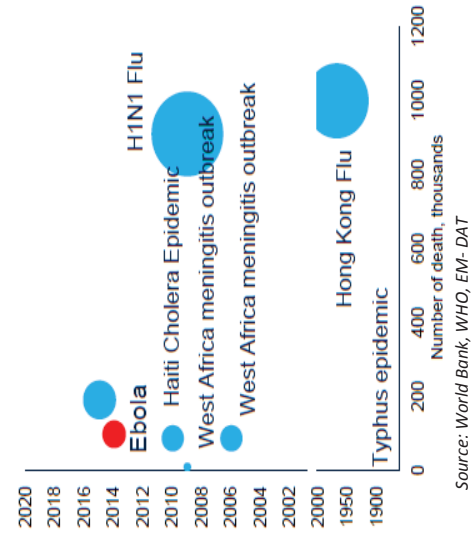


FCV Triggers Massive Forced Replacement

Refugee and IDP numbers are at historic levels



The Rising Threat of Pandemics



7. **Furthermore, concerted efforts are needed to find ways to strategically use public sector funds to leverage private sector resources (including risk capital), and create incentives for the private sector to lend its capabilities to prepare for and respond to crisis.** The different parts of the WBG can work together to support these efforts.

8. **To transcend the humanitarian-development divide, crisis risk management must provide a more coherent approach to plan and “act with greater urgency to tackle people’s vulnerability, inequality and risk”.** Such an approach would help ensure that countries can be put back on the pathway to achieving resilience and national development targets as soon as possible. As noted by the UN Secretary General at the World Humanitarian Summit (WHS) in Istanbul, “humanitarian, development, peace and security and other international institutions work side by side on different projects but within the same communities. Too often, each sector brings different goals, time frames, disjointed data and analysis, and resources to those same communities, creating and implementing activities towards different objectives. The resulting divisions, inefficiencies and even contradictions hinder optimum results for the most vulnerable.”⁶

9. **While support must be strengthened for the poorest countries which, more often than not, are the most vulnerable to the impacts of financial, environmental, epidemiological and conflict-related threats, the recent influx of refugees into countries like Jordan and Lebanon highlights the need for better ways to also support MICs when they provide global public goods.**

10. **The WBG’s crisis risk management work must be grounded in an appropriate and systematic understanding of the evolving risks associated with different crises, the impact of these risks on WBG activities, and the scope for the WBG to engage in mitigation or resolution through its different instruments.** In this regard it is important to recognize that many of the risks covered by this paper – i.e. natural disasters, conflict – cannot be eliminated, nor can they be mitigated through insurance schemes alone. Rather, they require solid analysis to inform responses, combined with a certain level of risk acceptance.

11. **Since the establishment of IBRD, crisis prevention and preparedness; response, recovery and reconstruction (the “R” in IBRD) have been integral to the Bank’s mission.** The Bank has been involved in this work over the past 70 years and has built up a strong track record of providing support to countries along all phases of the crisis risk management continuum and across a variety of crises.

- Over the past 10 years (FY06-16), total crisis-related IBRD and IDA commitments are estimated roughly at around US\$110 billion: this is equivalent to over a quarter of IBRD

⁶ Report of the Secretary-General for the World Humanitarian Summit
(<https://consultations.worldhumanitariansummit.org/bitcache/e49881ca33e3740b5f37162857cedc92c7c1e354?vid=569103&disposition=inline&op=view>)

and IDA commitments (27.4 percent of US\$403 billion).⁷ This support has gone towards prevention and preparedness, response, and recovery and reconstruction. Of these commitments, operations totaling US\$15.2 billion, included components focused on preparedness and mitigation.

- IDA and IBRD support has been complemented by the mobilization/management of external resources through contributions to trust funds focused on all phases of risk management, totaling approximately US\$22.5 billion. The Bank also helps manage Financial Intermediary Funds (FIFs) that provide significant resources directed at different kinds of crises.
- International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) have also both been active in the crisis space. During the economic and financial crisis of 2008, IFC's support focused on helping emerging markets access working capital and refinance debt, and on mitigating the impact of the crisis on otherwise well-functioning banks and firms. MIGA's support included a new Financial Sector Initiative to support financial institutions.

12. **Government leadership is and has been vital for dealing with crises.** Managing crisis risks requires investing in national preparedness plans and delivery systems. The lack of national systems contributes to delays and inefficiencies, which increase response costs to crises. Dealing with crisis in fragile and conflict-affected states (FCS) with compromised security as well as political environment requires can severely limit the ability of the clients, the Bank, other development partners and civil society/non-governmental organizations (CSOs/NGOs) to work on the ground. Effective strategies to deal with crisis require proper oversight to ensure transparency, accountability, and performance management. It also often requires close working relationships with security actors on the ground for access and protection, including United Nations (UN) and regional peacekeeping missions.

13. **Coordination and partnerships have been essential features of the WBG's crisis-related work.** Indeed in most cases, the WBG acts as part of a broader collaborative response from the international community. This includes bilateral donors, the private sector and NGOs/CSOs, the International Monetary Fund (IMF), the UN, and other multilateral development organizations, acting under the leadership of recipient governments. The WBG has invested heavily in these relationships over the years. It has been instrumental in the establishment of global response mechanisms and policy agreements guiding responses to natural disasters (Sendai, Hygo, GFDRR), conflict (New Deal), and more recently, pandemics. Examples of coordination mechanisms, partnerships and collaborations in times of crisis include:

- The complementary roles played by the WBG and the IMF to help countries in the wake of the 2008-09 financial crisis. While the IMF provided balance-of-payments support to countries, the WBG's assistance focused more on helping countries to take actions to mitigate the extent to which gains (to poverty reduction, inclusive growth, social

⁷ This is based on a search of crisis-related key words and a quick review of all IBRD and IDA commitments during FY06-16. Due to the limitation of the methodology used, this number provides a rough estimate only. It could be an under-estimate since not all key-words were specified or an over-estimate due to use of "buzz-words".

projection, access to services, etc.) were reversed and to make the needed medium term structural changes to better position the economy to a changing global context.

- The *Sendai Framework for Disaster Risk Reduction 2015-2030* is a 15-year non-binding agreement which recognizes that the State has the primary role to reduce disaster risk but that responsibility should be shared with other stakeholders including local government and the private sector. It aims at the substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries. The World Bank and Global Facility for Disaster Reduction and Recovery (GFDRR) collaborates with a range of UN agencies, governments and other partners under this framework that was endorsed by the UN General Assembly following the 2015 Third UN World Conference on Disaster Risk Reduction (WCDRR).
- The *New Deal for Engagement in Fragile States* is a key agreement between fragile and conflict affected states, international development partners and civil society to improve current development policy and practice in fragile states. Countries committed themselves to addressing the root causes of conflict and fragility and to channeling investments in fragile states in line with basic but adapted aid effectiveness principles. The New Deal calls for five Peacebuilding and Statebuilding Goals (PSGs) to be at the forefront of all international efforts in FCS. Partners to the New Deal include 40 countries, MDBs including the WBG, a Civil Society Platform on Peacebuilding and Statebuilding, the European Union (EU), the Organisation for Economic Co-operation and Development (OECD) and the UN.
- During the recent Ebola crisis in West Africa, the Bank, in collaboration with the World Health Organization (WHO), played a key role in convening partners to provide financial support to affected countries, and led the effort to develop the new Pandemic Emergency Financing Facility (PEF), which brings together the WHO, various other UN agencies, humanitarian agencies, NGOs, the private sector, donors and recipient countries.

14. **Evaluations by the Independent Evaluation Group (IEG) and others indicate that the WBG is an important lifeline for countries struck by crises, that it has responded effectively to countries in distress, and kept a strong focus on continued learning and innovation – but to address future, often unpredictable crises, it must continue to improve agility, strengthen its toolkit of instruments, and take on a more holistic crisis management approach.** Indeed a continuous focus on learning and innovation of instruments and products have been integral features of the WBG’s crisis-related work. As a result, the WBG’s approach to crises has evolved from a focus on post-crisis response and recovery that was carried out mainly through restructuring projects and/or reallocating resources within a country portfolio (thereby diverting resources from long-term development activities), towards dedicated financing mechanisms (like IDA’s Crisis Response Window (CRW), and targeted instruments and products.⁸ Furthermore, the WBG has been shifting from *ad hoc* financing of crisis response activities to an increasingly holistic

⁸ “Enhancing IDA’s Capacity to Respond to Severe Crisis”, Report#53252, World Bank, February 2010.

approach that addresses both pre-crisis and post-crisis needs, for an increasing variety of crises situations.

15. **Against this backdrop, the WBG has been called upon to take on an expanded role in crisis management, further strengthen its capabilities in this area, and develop an enhanced platform for crisis support.** In April 2016, the Development Committee asked the WBG to “explore options to develop a long term global crisis response platform,” noting that fragility and conflict have displaced millions of people, significantly impacting both origin and host countries. It also requested the WBG and IMF, within their mandates and in partnership with humanitarian and other actors, mitigate the vulnerabilities of forcibly displaced persons, help host communities manage shocks, and tackle the root causes of forced displacement. Other constituencies have also been encouraging the WBG to strengthen its role in this area.⁹

16. **In response to these calls, the WBG is bringing together its crisis-related mechanisms under the umbrella of a *Global Crisis Response Platform (GCRP)*, with the goal of providing scaled up, systematic and better coordinated support for managing and mitigating current and future crises, across the spectrum of risks and vulnerabilities facing the WBG’s clients.** The Platform will allow the WBG to strengthen synergies across various units working on risk mitigation and crisis management; ensure that various initiatives, instruments and products complement each other and can be deployed smartly, and that gaps in the architecture are filled, as required; and make sure that relevant knowledge and experience is shared across the WBG and its clients.

17. **The approach guiding the GCRP recognizes that, while predicting the nature and extent of future crises is difficult, it is critical to invest in efforts to prepare local actors and the international community, so they can adapt quickly and respond effectively to a wide range of events.** The GCRP therefore emphasizes the need for the WBG to further strengthen the capacity of member countries – LICs and MICs alike – to manage risks and reduce vulnerability associated with national, regional and global crisis. This requires balancing investments in risk assessment and early warning tools, enhanced capacity for prevention and preparedness, and provision of resources for early and adequate response, recovery and reconstruction, once the crisis hits. An underpinning assumption is that much of this support at the prevention, preparedness and recovery stages will come through the WBG’s regular engagement in countries.

18. **The WBG is well poised to take on this expanded role in crisis management and mitigation.** With its global reach, understanding of local contexts and in-country relationships, technical expertise, rich toolkit of financial and knowledge-support instruments, capacity for innovation, and focus on long-term development, the WBG is well positioned to take on this expanded role in assisting countries with comprehensive crisis risk management. A strong focus on knowledge and cross-country analysis and learning also means that the WBG is uniquely placed

⁹ In March 2016, the US circulated to Bank shareholders and management a proposal for a Global Crisis Response Platform to address “all kinds of crises, including exogenous shocks such as pandemics and natural disasters”. In June 2016 the UK circulated a “Non-Paper” on “Crisis Finance” and informally asked the Bank to develop actions in a number of areas. On July 23-24, 2016 the G-20 Finance Ministers and Central Bank Governors statement from the Chengdu Summit notes “the ongoing discussion within the WBG on considering a global crisis response platform”.

to bring relevant lessons and innovations across countries and regions. Effective delivery will require coordination with UN and humanitarian agencies, other MDBs, bilateral donors and development partners, which all play a critical role in crisis risk management.

19. **The rest of this paper is organized as follows.** The next section reviews the WBG's track record in crisis management over the past decade and lessons learned. In doing so, it highlights how the WBG deployed its instruments and products in support of crisis management and what is needed to fill gaps and improve effectiveness and efficiency. Section III outlines the key goals and functions of the GCRP, and the initiatives that will help complete the Platform, thereby further strengthening the WBG's capacity for crisis management.

II. WBG's Track Record in Crisis Management

20. **The WBG has provided significant support to help countries deal with a range of crises.** Over the past decade (FY06-16), total crisis-related IBRD and IDA commitments are estimated roughly at around US\$110 billion. This is equivalent to over a quarter of IBRD and IDA commitments (27.4 percent of US\$403 billion). This IDA- and IBRD-financed response is complemented by the mobilization/management of external resources through contributions to trust funds focused on all phases of risk management, totaling approximately US\$21.8 billion. The Bank also helps manage FIFs that provide significant resources directed at different kinds of crises.

21. **The WBG's crisis support capacity has evolved, drawing on lessons from experience.** New, dedicated financing mechanisms have been developed, along with tailored instruments and products, to fill gaps as they have emerged and to enable the WBG to provide crisis support in a more systematic manner, and with greater speed and efficiency (Box 1 summarizes how lessons from various evaluations have been incorporated into the WBG's crisis support toolkit).

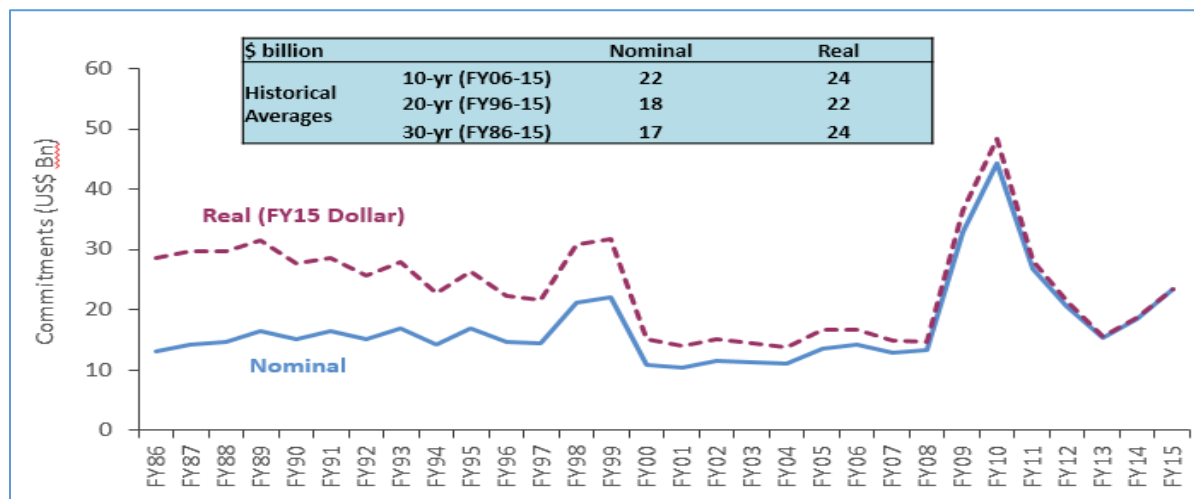
2.1 Economic and financial crises

22. **In times of economic and financial crises, particularly those arising from exogenous shocks, the WBG has provided significant support to help countries mitigate reversals in economic and social gains and make the needed medium term structural changes.** This is clear from the WBG's (especially IBRD's) lending record over the past three decades (Figure 2). The two main peaks in commitments came on the heels of the 1998 financial crisis, when IBRD provided US\$12 billion of crisis-related lending on special structural adjustments loan (SSAL) terms from FY98 to FY00. The 2008 global financial crisis resulted in a US\$60 billion scale-up in IBRD lending for FY09-11, compared to the previous three FYs.¹⁰ Still, in FY09-10, the Bank disbursed a record total of US\$80.6 billion, larger than the IMF and other International Financial

¹⁰ IDA's overall financing also increased in response to economic crises but IDA resources are allocated every year based on the performance based allocation formula, as a result responding to crisis requires either redirecting resources from other planned projects, or restructuring projects.

Institutions (IFIs).¹¹ Part of this increase was in the form of higher lending for social protection and basic service delivery programs aimed at protecting the poor in times of crisis.

Figure 2: IBRD Lending Volume (FY86-2015)



23. **Over the past decades, IDA has also provided support to countries facing economic and financial crises.** In the wake of the 2008 global financial crisis, IDA created a US\$2 billion Financial Crisis Response Fast-Track Facility in 2009. The facility was designed to speed up grants

¹¹ “The World Bank Group’s Response to the Global Economic Crisis, Phase 1”, Independent Evaluation Group, World Bank, 2011.

Box 1. Lessons Learned from the Bank's past crisis response efforts

Evaluations by the Independent Evaluation Group (IEG) on the Bank's response to crises, as well as a 2009 US Government Audit Office (GAO) report on IFI response to the financial, food and fuel crises, point to the following findings and lessons for the Bank:

- **IEG evaluations have indicated that the Bank's crisis related interventions have had higher success ratings than the broader Bank portfolio; in times of crisis, the Bank has been able to move quickly, with force, and at scale.** The Bank increased the speed of disbursement in response to the financial crisis and at the same time doubled its commitments in FY2009-10, relative to the pre-crisis period. Similarly, the median processing time for the 55 operations prepared under the Global Food Crisis Response Program (GFRP) was about 2.3 months during FY2008-11, compared to an average of almost 8 months across the Bank's portfolio in FY09-11.
- **However, evaluations have also indicated some concerns around the quality of the Bank's crisis-related operations and the mix of instruments.**
 - In case of Avian Flu, the IEG evaluation noted that "rapid [project] preparation may have led to some weaknesses in quality at entry". Similarly, the speed of response to the food crisis, "often had costs for quality, and design deficiencies could not always be rectified quickly during implementation." A third of the evaluation's 20 country studies found evidence of trade-offs between the speed of preparation and the quality of project design and implementation.
 - Evaluations from the mid-2000's noted that the Bank's financing of crisis response activities tended to be *ad hoc*, rather than systematic. Crisis support was provided mainly through restructuring projects and/or reallocating resources within a country portfolio, which diverted resources from long-term development and poverty reduction activities. A 2006 IEG evaluation of natural disaster responses reinforced this, stating that "reallocations fill an important niche in the Bank's ability to respond to natural disasters ... however, reallocation can be impractical (for countries with few Bank loans) and can be overused (in countries hit by frequent disasters)".¹
 - In addition, although some low-income country governments reported that they received financial support very rapidly, others noted that Bank support remained sluggish.
- **The Bank has responded to these evaluations by continuously improving its crisis support capacity, by further developing its financing mechanisms, instruments and products, with the aim of making them more agile while safeguarding sound quality standards.**
 - The IDA CRW, formalized under IDA16, was a direct response to the findings of various evaluations. It was established with a view to providing (i) timely support in the case of crises; (ii) additionality - minimizing the diversion of resources from long-term development objectives; (iii) mainstreaming support through IDA, reducing the need for *ad hoc*, parallel funding during times of crises; and (iv) greater transparency and predictability. The CRW has evolved over time to address a broader range of crises.
 - For IBRD countries, tailored solutions were introduced to address a range of emergencies, including DPOs with CAT DDOs that could trigger quickly at the first sign of crisis.
 - By 2008-09, the IEG reported that country teams had begun using DPOs, additional Financing, and other instruments in innovative ways to respond to the financial crisis, with the endorsement of the Operations Committee and approval of the Board.
- **The Bank is also enhancing its support to strengthen coordination and preparedness at the frontline, in recognition of the key role this plays in a successful response.** Effective partnerships at the country level have played a vital role in the successful implementation of programs, and the Bank is doing more to enhance its works in this area. After Avian flu, IEG reported that pandemic preparedness could benefit from following the example of the Bank's approach to natural disasters, moving away from a responsive approach using emergency instruments to one that favors preemptive risk reduction and risk management. Increasing planning and preparedness within the context of national development strategies of countries was also seen as an important lesson across multiple crisis response efforts, and is emphasized in the context of the Country Partnership Framework and program design.

* "Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters." The Independent Evaluation Group, World Bank, 2006.

and long-term, interest-free loans to help the world's poorest countries cope with the impact of the global financial crisis and provide rapid funding for social safety nets, infrastructure, education, and health. The goal of the facility was to fast-track an initial US\$2 billion of the US\$42 billion of IDA15 resources available to 78 of the world's poorest countries over three years.

24. The 2008 financial crisis led to an increasing recognition that there was a gap in the international aid architecture to systematically assist poor countries in dealing with the impact of large, external shocks on government core spending and on the poor and vulnerable. Concerns were raised about the need to improve crisis response, especially in LICs where counter-cyclical instruments were scarce. At the October 2009 World Bank-IMF Annual Meetings in Istanbul, the Development Committee “committed to explore the benefits of a new crisis response mechanism in IDA to protect LICs from crises, to be considered as part of the IDA15 Mid-term Review.”¹² Similarly, at the Pittsburgh Summit on September 24-25, 2009, G-20 leaders asked their ministers to “explore the benefits of a new crisis support facility in IDA to protect LICs from future crises”.¹³

25. In response, the Bank established the IDA CRW, initially piloted in IDA15 and formalized in IDA16. The CRW has become a key instrument in organizing IDA's support to crisis response; while the bulk of this has gone towards helping countries respond to natural disasters (see below), it has also provided support in the wake of economic crises.¹⁴ In IDA17, a focus on public health emergencies and epidemics has been included. To date, US\$3.5 billion has been committed through the CRW across a range of crises covering economic shocks, natural disaster and pandemics (the Ebola outbreak).

26. IFC's support for economic and financial crises has focused on helping emerging markets access working capital and refinance debt, and on mitigating the impact of economic crisis on otherwise well-functioning banks and firms.

- In 2009, IFC launched the Debt and Asset Recovery Program (DARP), with a targeted contribution by IFC of up to US\$1.55 billion over three years, to mobilize about US\$5 billion more from other international financial institutions and private sector partners. The DARP was designed to make direct investments in businesses that needed to restructure debt, in pools of distressed assets, and specialized companies that manage distressed assets. It was also able to invest indirectly through investment funds that targeted pools of distressed assets and companies. DARP's goals included supporting real and financial sector stability, growth, and development by addressing restructuring needs, cleaning up financial systems, and restoring the health of companies and financial institutions.
- The US\$5 billion Global Trade Finance Program (GTFP) launched in 2005 extended and complemented the capacity of banks to deliver trade financing by providing risk mitigation in new or challenging markets where trade lines may be constrained.

¹² Development Committee Communique, Annual Meetings, World Bank, October 5, 2009.

¹³ G-20 Leaders' Statement, The Pittsburgh Summit, September 24-25, 2009.

¹⁴ See “Enhancing IDA's Capacity to Respond to Severe Crises”, World Bank, February 2010.

- The Global Trade Liquidity Program (GTLP) was launched in 2009 as a unique, coordinated global initiative that brought together governments, development finance institutions (DFIs), and private sector banks to support trade in developing markets and address the shortage of trade finance resulting from the global financial crisis. With targeted commitments of US\$4 billion from public sector sources, the program has supported nearly US\$20 billion of trade since its inception. It raises funds from international finance and development institutions, governments, and banks. IFC's commitment to the program is US\$1 billion.
- The IFC Capitalization Fund established in 2009 by the Asset Management Company was designed to provide additional capital for systemically important banks in developing countries to ensure they can continue to lend and support economic recovery and job creation through the crisis. IFC invested US\$1 billion of its own money in the fund. The Japanese government, a founding partner, has invested US\$2 billion, bringing the total to US\$3 billion.

27. **MIGA's support has also helped countries respond to economic and financial crises.** During the global financial crisis in 2008-09, despite MIGA's already significant build-up of exposure to the financial sector, the Agency adopted a new Financial Sector Initiative in March 2009 – a MIGA specific crisis response effort focused on supporting financial institutions in Europe and Central Asia (ECA). This was part of the wider, internationally-coordinated Joint IFI Action Plan agreed between European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and the WBG. Its aim was to provide extended support to financial institutions needing Political Risk Insurance (PRI) on cross-border investments to recapitalize or provide liquidity support to their banking subsidiaries. Initially geared towards the ECA region, its actual reach was broader. MIGA's total net exposure (i.e., after reinsurance) under the initiative was targeted not to exceed US\$1 billion in the ECA region, and is expected to support, with reinsurance, capital flows of up to US\$2-3 billion in gross terms.

28. **In addition to financial support, the WBG, often working closely with the IMF, has provided a range of knowledge-based and technical assistance to countries in the area of crisis prevention, preparedness and response.** Great strides were made in the financial sector in the wake of the 1997 East Asian Financial Crisis, with the introduction of the Financial Sector Assessment Program (FSAP), jointly led by the World Bank and IMF, and funded through trust funds. The FSAP has proven to be an effective tool to assess and monitor financial system fragility and to guide IDA and IBRD investments in financial sector strengthening.

2.2 Food and fuel price shocks

29. **The 2007-08 period witnessed crisis situations owing to the sharp rise in food and fuel prices.** The Bank organized a rapid response through a fast-track Global Food Crisis Response Program (GFRP)—with US\$2 billion covering 55 operations in 35 countries, mainly LICs. Funding was provided through IDA, IBRD, as well as additional resources mobilized from development partners.¹⁵ The crisis response also included scaled-up financing for agriculture, social protection, and nutrition support. In the wake of these crises, the Global Agricultural & Food

¹⁵ Contributors included Australia, Canada, the European Union, Korea, Russia and Spain.

Security Program (GAFSP) – supported by a FIF – was launched in 2010 to boost food security through agricultural productivity, with public and private funding windows. The GAFSP has benefitted from US\$1.2 billion in contributions to date.

30. **In April 2009 the World Bank launched a Rapid Social Response Program (RSR) focused on social safety nets, labor markets, and access to basic social services, especially in LICs.** It combined trust fund support for diagnostic and country capacity building with support for rapid social response programs through IBRD and IDA loans and grants. This responds to the challenge governments often face in accessing early financing mechanisms. Over the past 6 months, for instance, a drought crisis in Southern Africa has increased the cost of importing food by over US\$50-100 per metric ton to ranges of US\$400-450 per metric ton over the past six months. For countries like Malawi and Zimbabwe this translates to increased costs of over US\$25 million for each country. The WBG response has supported countries in such situations through deploying its current instrument mix, including mechanisms for re-allocating portfolio resources, CRW, and ERL.

2.3 Natural disasters

31. **Between FY06 and FY16, IDA and IBRD provided approximately US\$5.8 billion to help countries respond to a range of natural disasters, among which:** earthquakes in China FY09 (US\$720 million), Nepal in FY15 (US\$200 million) and Pakistan (US\$700 million); Tsunami in the Pacific (US\$15 million for Samoa, Tonga), hurricanes (US\$42 million for Nicaragua, St. Lucia and St. Vincent and Grenadines), typhoons (US\$40 million for Cambodia), cyclones (US\$184 million for Bangladesh in 2007).

32. **IDA has over time augmented its capacity to support countries facing crises and emergencies (see Box 2).** The CRW has become the important source of pre-arranged and additional financing to respond to natural disasters, among other types of crises, in the poorest countries. In IDA17, the initial allocation of about US\$900 million was almost fully committed in the first year and was replenished at IDA17 Mid-term Review. A total of US\$1,063 million (see Table 1) has been allocated so far in the IDA17 period and 95 percent of this amount has been approved by the Board.

Table 1: CRW Allocations under IDA17 (as of June 15, 2016)

Crisis	US\$ Million
Vanuatu Cyclone	50
Solomon Island Floods	10
Tuvalu Cyclone	3
Malawi Floods	80
Nepal Earthquake	300
Myanmar Flood and Landslide	100
Drought Response to Ethiopia	100
Ebola Response (Guinea, Sierra Leone, and Liberia)	420
Total	1,063

Box 2. IDA’s Toolkit for Risk Management, Global Resilience and Crisis Response

IDA supports both short-term crisis response and longer-term crisis resilience in a timely and effective manner. IDA’s investment helps countries respond to immediate crises, and to build future resilience and meet high priority needs to avoid “lost generations.” The IDA toolkit was strengthened by the creation of the **CRW**, which compliments Core IDA and allocations from the **Regional Program**. The CRW is an effective tool for countries to mount emergency responses to crises, as well as build long-term resilience and crisis management capacity in a systematic way. In addition, resources from the **Regional Program** can be accessed to alleviate the impact of a crisis that affects multiple countries, e.g., IDA **regional** funds were used to establish the **regional** health hub in West Africa for early detection of Ebola type diseases. In the case of countries that are subject to frequent crises and disasters, regular IDA funds may be allocated to build response capacity.

IDA can provide support for crisis response through instruments such as the following:

- **Immediate Response Mechanism (IRM)** is an important instrument that provides rapid access to undisbursed IDA resources to address immediate post-crisis financing needs. IDA countries that have included an IRM contingent emergency response component in projects can access funds through this facility.
- **Emergency Response Loans** can be used to provide immediate relief. Examples include the US\$200 million Nepal Earthquake Housing Reconstruction Project and the US\$80 million Malawi Emergency Recovery Project.
- Budget support through **DPOs** can provide the requisite fiscal adjustment after a crisis. This can also provide much needed countercyclical financing and policy advice to help countries protect essential public investments and services, and build targeted social safety nets to protect the most vulnerable.
- **Investment Project Financing** may be used to strengthen the capacity of country systems to respond to crises.

To complement the above instruments, IDA management is also considering to offer **CAT DDO** to IDA clients. The CAT DDO is currently offered to IBRD countries to support their crisis preparedness and response.

33. **In addition, a dedicated crisis response mechanism – IDA’s Immediate Response mechanism (IRM), launched in 2011 –allows a country rapid access to a portion of its undisbursed IDA balances to address immediate post-crisis financing needs has been used to respond to natural disasters.** Once specific prior actions are met¹⁶, the IRM provides for pooling of uncommitted resources across projects to allow IDA countries to make use of US\$5 million or 5 percent of undisbursed funds soon after an emergency. Approximately 20 out of the 77 IDA borrowers currently have contingent emergency response components (CERCs) in one or more of their IDA-supported operations. Myanmar was the first country to trigger the IRM, reprogramming US\$65 million from ongoing IDA projects to support reconstruction and recovery efforts in the aftermath of floods and landslides that hit Myanmar during July to September 2015.

34. **The Bank has also developed ways to more swiftly redirect resources available under already approved programs or project to respond to natural disasters.** This can be done either through traditional project/program restructuring or by restructuring to add contingent components

¹⁶ Prior actions required to access IRM funds are: (a) inclusion of contingent emergency response components in selected IDA projects, (b) adoption of an IRM Operations Manual which forms a part of the Financing Agreement and needs to be reviewed by Legal, Procurement, Disbursement, Financial Management, and Safeguards.

for financing through the IRM, for example. There are certain project features that facilitate this ex-ante by incorporating triggers that would allow quick re-allocations once a crisis hits the country. Preliminary evidence suggests that in recent years, an increasing number of Bank projects have built in such *contingent components*. In addition, as a matter of routine, the Bank can reallocate resources or restructure portfolios to respond to evolving demand, including at the onset of a crisis.

35. **IBRD has long been engaged in helping countries address natural disasters, with new, tailored products having been introduced over time.** While new products have been introduced, IBRD has long been involved in this space. Box 3 illustrates how the Bank has supported Colombia for more than two decades in disaster preparedness and response. In IBRD countries, the Deferred Drawdown Option (DPF-DDO) provides pre-arranged financing that is increasingly being used for Development Policy Financing to support countries in the area of crisis preparedness, as well as response. The DPF-DDO allows funds to be flexibly drawn when the need for liquidity arises. During FY06-16, US\$10.9 billion commitments were made as part of DPF-DDOs. The CAT DDO allows borrowers to secure immediate access to budget support of up to US\$500 million, or 0.25 percent of GDP (whichever is lower) following the declaration of an emergency in the aftermath of a natural disaster, with links to pre-approved disaster preparedness plans. Table 2 shows the list of CAT DDOs approved since FY09.

Table 2: CAT DDOs approved since FY09

Country	FY	Amount (US\$ Million)
1. Costa Rica	2009	65
2. Colombia	2009	150
3. Guatemala	2009	85
4. Peru	2011	100
5. El Salvador	2011	50
6. Philippines	2012	500
7. Panama	2012	66
8. Colombia	2013	250
9. Sri Lanka	2014	102
10. Seychelles	2015	7
11. Peru	2015	400
12. Philippines	2016	500
Total		2275

36. **In addition, the WBG’s Disaster Risk Financing and Insurance Program (DRFIP) supports countries to improve their financial resilience against climate and disaster risks, as part of the broader disaster risk management and climate change agenda.** More and more, LICs and MICs are recognizing the detrimental impacts crises are having on their budgets, industries and populations (including the poorest and most vulnerable). The DRFIP support countries develop pro-active financial risk management strategies to manage these risks through enabling client countries to implement sustainable and cost-effective financial protection policies and operations against natural disasters.

Box 3. Colombia's Experience with CAT DDOs

Colombia is highly prone to natural disasters as it stretches from the Andean mountain region to the Pacific "belt of fire" with a high risk of being struck by earthquakes and volcanic activity. Annually Colombia suffers more than 600 natural disasters, having the highest rate of recurrent natural disasters in Latin America. Additionally, in the past three decades Colombia has suffered from six major earthquakes, four volcanic eruptions, major landslides, and extensive flooding. This exposure is further aggravated by continued population growth and a subsequent ever increasing concentration of settlements.

Over the years, natural disasters in Colombia have absorbed a growing share of the national budget and pose a serious threat to fiscal sustainability. The State has seen its responsibilities increase with each disaster setting precedents for reconstruction and recovery for the next event.

Recognizing the importance of dealing with disasters, the Bank has supported Colombia for more than two decades in disaster preparedness and response. In 2000, in response to a major earthquake the Bank supported Colombia with a US\$ 225.00 million loan to support immediate response, recovery but also building the capacity for disaster management by emphasizing prevention, mitigation, and strengthening the management skills of public sector agencies. Colombia has institutionalized a system for comprehensive disaster risk management.

In 2005, the Bank approved an Adaptable Program Loan (APL) series to support the implementation of the Government's disaster risk management policies. The first phase APL was approved aimed to strengthen the capability of the national disaster risk management system to support comprehensive disaster risk reduction. The first APL included, among its lending components, the development of a risk financing strategy and a contingent loan facility to guarantee the immediate availability of resources in case of national disaster.

In 2008 the Bank introduced a new contingent credit line, a US\$260 million Development Policy Loan (DPL) with a US\$150 million CAT DDO that served to provide immediate liquidity to countries in the aftermath of a natural disaster. Colombia chose to replace the line of credit embedded in the APL with the DPL with a CAT DDO that serves the same purpose more efficiently. Aligning with the Government's development of the disaster risk management agenda, the above mentioned DPL had as prior action the inclusion of a disaster risk reduction and management strategy in the 2006-2010 National Development Plan.

Through this project, Colombia expanded coverage of the hazard-monitoring network. In July 2008, Colombia had 18 functioning seismic stations, 95 functioning volcanic monitoring stations and 249 functioning automatic hydro-meteorological stations. As of December 2011, the country had 35 functioning seismic stations, 303 functioning volcanic monitoring stations and 270 functioning automatic hydro-meteorological stations. It also expanded the number of municipalities that have disaster risk management plans. From 2008 to 2009, 123 municipalities were assisted in the development of disaster risk management plans; and between 2010 and 2011 an additional 317 municipalities were assisted. Of the total number of municipalities assisted, 388 municipalities had disaster risk management plans by the end of 2011.

On December 28, 2010, Colombian authorities disbursed the full balance of the CAT DDO to address the crisis caused by floods and landslides in the country's worst rainy season in decades. The country's authorities declared a national emergency on December 7, 2010 to address the crisis.

Overall, the Bank engagement addressed the needs of at least 80 percent of people in disaster affected areas that requested support. At appraisal 80 percent of affected households that requested support were attended with resources from the National Fund of Calamities. According to National Unit for Disaster Risk Management, from 2008 to 2011 the needs of more than 97 percent of affected households requesting support were addressed

37. **The Bank has arranged a number of innovative, market-based disaster risk financing initiatives that provide levels of protection depending on the type, frequency, and severity of the event** (see Table 3 below). Weather hedges – based on an underlying weather index – transfer the risk to the financial markets. Payments are triggered by adverse weather events according to pre-specified conditions (e.g. levels of rainfall, seasonal temperatures, etc.). The Bank offers intermediation services for index-based weather derivatives to both MICs and LICs. Catastrophe bonds transfer the risk of a natural disaster to investors by allowing the issuer to not repay the bond principal if a major natural disaster occurs. The MultiCat Program – a bond issuance platform developed by the Bank – transfers diversified risk to private investors. Through its work on intermediating cat risk transfer transactions for member countries, the Bank has helped member countries transfer more than \$1.5 billion of risk to the private markets.

Table 3: Innovative disaster risk initiatives

Executed Transactions	Type of Instrument with Client	Client	Size in US\$ Million
Malawi Weather Hedge	Index based Derivative on rainfall against the risk of Drought (1 year)	Government of Malawi	US\$4.9 in 2008 US\$4.4 in 2009 US\$5.3 in 2010 US\$4.4 in 2011
Mexico MultiCat 2009 and 2012	Cat Bond against pure Parametric exposure to Earthquake and Hurricane Bond (3 years)	Government of Mexico	US\$290 in 2009 US\$315 in 2012
Pacific Catastrophe Risk Insurance Facility (PCRAFI)	Derivative based on pure Parametric exposure on Tropical Cyclones, Earthquake and Tsunami (earthquake) and modeled loss (1 year)	Governments of 6 Pacific Islands	US\$45 in 2012 US\$ 67 in 2013 US\$ 43 in 2014 US\$ 43 in 2015
Caribbean Catastrophic Risk Insurance Facility (CCRIF)	Derivative based on Parametric Modeled Loss on Hurricane and Earthquake (1 year and 3 years)	CCRIF, which includes 16 Caribbean countries	US\$20 in 2007 US\$30 in 2008 US\$30 in 2009 US\$18.5 in 2010 US\$30 in 2011 US\$30 in 2012 US\$15 in 2013 US\$30 in 2014-17
Uruguay Oil and Weather Hedge	Derivative covering the joint risk of low rainfall and high oil prices (1.5 year)	State-owned Electrical Utility Agency (UTE)	US\$450 in 2013

38. **In responding to natural disasters, the Bank has also been leading and managing designated facilities and trust funds for crisis response and recovery.** Examples include the *MDTF for post-tsunami recovery in Aceh* (Indonesia), established in the aftermath of the devastating tsunami that caused more than 221,000 deaths in 2004. The *Multi-Donor Trust Fund (MDTF) for Aceh*, with contributions from 15 donors, was created and managed by the Bank to channel coordinated financial support for the Government of Indonesia's post-tsunami disaster recovery program, including a US\$25 million contribution from IBRD. In the aftermath of the

2011 earthquake in Haiti, the Bank mobilized donor resources to establish the *Haiti Reconstruction Fund*, as a FIF. The GFDRR, a trust-funded facility managed by the Bank, with an active portfolio of US\$216 million, provides financing, technical assistance and knowledge for disaster and climate risk management. The mainstreaming of disaster risk management into WBG operations has become a focus for WBG engagements, aligned with the Sendai Report¹⁷ recommendations. (See Annex 1.1).

39. **IFC's Global Index Insurance Facility (GIIF)** launched in 2009 and funded by the European Union, Japan and the Netherlands, is a multi-donor trust fund supporting the development and growth of local markets for index-based insurance in developing countries, primarily Sub-Saharan Africa, Latin America and the Caribbean and Asia Pacific. Index insurance is a relatively new but innovative approach to insurance provision that pays out benefits on the basis of a pre-determined index (e.g. rainfall level, seismic activity, livestock mortality rates) for loss of assets and investments, primarily working capital, resulting from weather and catastrophic events, without requiring the traditional services of insurance claims assessors. It also allows for the claims settlement process to be quicker and more objective.

40. **GIIF-supported projects have insured more than 1.3 million farmers, pastoralists and micro-entrepreneurs globally.** In 2015 alone, more than 483,000 insurance contracts were sold, representing a 25 percent increase from the previous year. GIIF's objective is to expand the use of index insurance as a risk management tool in agriculture, food security and disaster risk reduction.

2.4 Pandemics

41. **The WBG also has a track record of responding to health pandemics, and this is an area in which innovation continues.** The Bank responded to the *Avian Flu in FY06* with a total lending of US\$259 million to 20 countries. Between 2014 and 2015, the WBG committed US\$1.62 billion to support Ebola crisis response and recovery efforts in Guinea, Liberia and Sierra Leone, including strengthening their health systems and improving outbreak preparedness. This has included over US\$1 billion of commitments from IDA, of which US\$420 million came from the CRW, and US\$450 million from the IFC, aimed at enabling continuity of trade, investment and employment in the three countries. A recently approved regional IDA project on regional disease surveillance in West Africa is a part of IDA's longer term support for pandemics following the Ebola crisis.

42. **More recently, the WBG made available US\$150 million to countries in Latin America and the Caribbean affected by the Zika virus outbreak to support a range of activities to ensure a robust, well-targeted, well-coordinated and multi-sectoral response.** Similarly, the Bank responded to other health pandemics such as Severe Acute Respiratory Syndrome (SARS), Swine Flu, and Foot and Mouth disease. In many cases, the Bank's response

¹⁷ The Sendai Report was written with the aim of framing the discussion at the Sendai Dialogue – a special event on Disaster Risk Management – co-organized by the Government of Japan and the Bank as part of the Program of the WB/IMF Annual Meetings 2012. The report was prepared by Bank and GFDRR staff, with financial support and guidance from the Government of Japan.

was provided through restructuring ongoing projects, such as by using ongoing health projects to strengthen health systems and rapid response capacity.

43. **A variety of trust funds managed by the Bank have also focused on pre-outbreak preparedness, response and recovery.** To date, about US\$1.8 billion have been mobilized in such trust funds. In addition, US\$45 billion have been mobilized in FIFs, for which, the Bank serves as trustee; the largest among these is the Global Fund to Fight AIDS, Tuberculosis and Malaria (see Annex 1.2).

44. **In the wake of the Ebola crisis, the Bank has led the design of the recently launched PEF, with the aim of tackling critical financing and other challenges to managing severe disease outbreaks (see below).**

2.5 Conflicts, and their spillovers, including forced displacement and refugee flows

45. **The WBG also has a strong track record in engaging in situations of fragility and conflict.** This recognizes that conflict and large-scale violence can undo development and have negative spill-over effects at regional and global level. There has been a six-fold increase in overall IDA resources to Fragile and Conflict-Affected States since IDA11 and a doubling of financial support over the last 10 years. IDA's core indicative IDA17 allocations to 29 FCS are estimated at around US\$7.2 billion (or 18 percent of total core allocation – 50 percent more than what these countries would have received without the revisions to the allocation framework and 35 percent more than in IDA16). There is an increasing recognition that investing in prevention to reduce likelihood of state failure and conflict are critical to reduce costly engagements after the fact. This is reflected in the proposals for FCV in IDA18 (see below).

46. **The Bank has also developed its capacity to respond to crises related to the spillover from conflict and fragility, notably, forced displacements and refugee flows.** A number of Bank projects are designed to support refugees, Internally Displaced People (IDPs), and host communities in the Great Lakes, the Horn of Africa, the Sahel regions, as well as Pakistan and Azerbaijan. For example, in the Horn of Africa, a regional program under preparation is targeting IDPs and host populations in Djibouti, Ethiopia and Uganda with investments in socio-economic services, livelihood support, local government capacity and social cohesion. IDA18 is looking to scale up support for refugees in IDA countries (see below). For the ongoing refugee crisis in the Middle East, IDA made a special allocation in 2016 of US\$200 million to support refugee-related programs in Lebanon and Jordan (both IBRD countries).

47. **A significant proportion of the core IDA resource for FCS have targeted post-conflict recovery and reconstruction through different *exceptional allocation regimes*.** The post-conflict and re-engaging regimes in particular have allowed the WBG to offer additional resources to countries in support of immediate recovery following conflict, recognizing that the post-conflict period comes with heightened needs but also significant opportunities to use resources to help countries sustain peace and address underlying drivers of conflict and violence. During IDA17, these two regimes were incorporated into the Turnaround Regime (TAR), which broadens eligibility to offer support to countries transitioning following political crisis, where there is a

significant government commitment to reform. In FY16, exceptional TAR allocations of US\$250 million per year were approved for Guinea-Bissau and Madagascar.

48. Growing levels of resources have also been complemented by policy commitments to improve the effectiveness of these investments given high risks. Importantly, IDA 17 committed the WBG to ensure that country partnership frameworks be grounded in a good understanding of drivers of conflict and fragility. Moreover, programs proposed for financing under TAR need to clearly spell out how FCV-related risks would be managed and mitigated through the proposed activities. As a result of these efforts, there is now a growing body of knowledge to show how the WBG can engage even in high-risk conflict environments.

Box 4. Examples of IDA Forced Displacement Projects

Central African Republic Emergency Food and Agriculture Relaunch Project (March 2014, US\$20 million): As a result of instability and violence, a large number of people in the Central African Republic were internally displaced and/or food insecure. IDA financed critical activities under the strategic response plans of the World Food Program and Food and Agriculture Organization in targeted areas, addressing both the immediate food crisis but also contributing to efforts to revitalize the agriculture sector ahead of the next planting season.

The Great Lakes Displaced Persons & Border Communities Program (Zambia) (May 2016, US\$20 million): This series of projects aims to maximize development benefits for internally displaced people, refugee and host populations in the region through investment in public services, livelihood support, land access and social cohesion. Complementing a first project in DRC, a second project in Zambia will support the local integration of former refugees from Angola.

The Regional Operation on Development Response to Displacement in the Horn (May 2016, US\$175 million): this regional IDA operation seeks to improve access to social services, expand economic opportunities and enhance environmental management for host communities affected by refugees in targeted areas of Djibouti, Ethiopia and Uganda. The project will be delivered through a Community Driven Development approach and will involve: (i) building and capacitating grassroots institutions; (ii) ensuring the voice of all communities is heard in decision making; (iii) strengthening decentralized government administrative functions; and (iv) investing in public service delivery and social mobilization to enhance social cohesion among beneficiary communities.

49. **WBG-managed MDTFs have also played a key role in mobilizing resources from other development partners and coordinating interventions to address fragility and conflict, supporting response and post-crisis recovery, supplementing IDA in FCS.** The *Afghanistan Reconstruction Trust Fund* has channeled more than US\$9.0 billion in post-conflict financing since it was established in 2002. Trust funds such as the Somalia Multi Partner Fund have allowed the Bank to engage in countries where no active IDA financing is in place. The *State- and Peace-building Fund* (US\$247 million between 2008-2015) has served as a solutions provider and is pushing the frontiers of WBG's engagement in FCV settings, supporting clients (both IDA and IBRD countries) and Bank teams to experiment with approaches and partnerships, combining operational grants with research and learning to advance global knowledge. (See Annex 1.3).

50. **IBRD has been using its financial surplus to provide special IBRD transfers to trust funds set up for emergency assistance.** Since 1994, multiple transfers have been made to 12 conflict/FCV related trust funds and initiatives amounting to a total of US\$1.5 billion. The largest

share has gone to the *Trust Fund for West Bank and Gaza* followed by *Emergency Reconstruction Program in Bosnia and Herzegovina*. Table 4 below shows IBRD transfers to trust funds set up for conflict and fragility.

Table 4: IBRD Transfers to trust funds in the form of grants

	Year of Transfer	US\$M
<u>Country Programs</u>		
Trust Fund for Gaza and West Bank	Starting FY1994	970
Emergency Construction Program in Bosnia and Herzegovina	FY1996	150
South Sudan Transition Trust Fund	FY2012	75
Trust Fund for Lebanon	FY2007	70
Emergency Rehabilitation Assistance for Kosovo	FY2000	60
Kosovo Sustainable Employment Development Trust Fund	FY2009	40
Trust Fund for Federal Republic of Yugoslavia	FY2001	30
Liberia Trust Fund	FY2005	25
Emergency Assistance for Rwanda	FY1995	20
Trust Fund for East Timor	FY2000	10
National Multi-Donor Trust Fund for Sudan	FY2006	5
Multi-Donor Trust Fund for Southern Sudan	FY2006	5
	<u>Grand Total</u>	<u>1,460</u>

51. **Attracting private investment in areas with high concentrations of displaced populations is difficult, but the private sector has an important role to play.** IFC’s current strategy to support refugees in MENA aims: (a) to create fiscal space for governments in the region to address humanitarian needs by attracting investors to provide private financing and provisioning of services that would otherwise need to be financed through public funds, especially in Jordan, Iraq, and Lebanon; (b) to build resilience to IDP/refugee shocks by increasing opportunities for jobs/livelihood and improved service delivery for both host and refugee communities; and (c) drawing on advisory tools to support the needs of refugees in sectors where IFC has a proven track record in difficult markets, such as through the establishment of well-functioning and financially viable special economic zones (SEZs) that could create jobs for Syrian refugees, or upgrading of financial literacy and entrepreneurial skills in locations close to refugee camps that could benefit both host communities and refugees.

III. Strengthening the WBG Global Crisis Response Platform

52. **The GCRP (depicted in Figure 3 below) builds on the WBG’s experience and rich set of financing mechanisms, core instruments, and products in crisis management to provide scaled up, systematic and better coordinated support for managing and mitigating current and future crises, across the spectrum of risks and vulnerabilities facing the WBG’s clients.** As such, it should be viewed as an umbrella that covers the full range of crisis support tools. The WBG has been strengthening its toolkit for crisis prevention and preparedness, and for post-crisis recovery and reconstruction. Core IDA and IBRD instruments (Development Policy Financing

(DPFs), Investment Policy Financing¹⁸ (IPFs), Program-for-Results (PforR)) have been deployed across all phases of the risk management continuum – for prevention & preparedness, response and recovery – and across all types of crises. They have been complemented by a growing suite of targeted financial and knowledge-based products. In addition, trust funds, which capitalize on the WBG’s convening capabilities, have leveraged significant resources for crisis response and reconstruction, as well as prevention and preparedness, and will continue to provide an important vehicle for international cooperation for crisis support. The GCRP will build upon the existing crisis toolkit, which is being strengthened through several ongoing initiatives:

- In the area of **prevention and preparedness**, core IDA and IBRD instruments (DPFs, IPFs, PforR) have been deployed across all types of crises to build core capacities for early warning, detection, etc. and to strengthen social safety nets. In addition, the WBG has introduced and deployed new products, like CAT DDOs. Initially CAT DDOs were tailored to natural catastrophes in MICs but are now being extended to cover health outbreaks/pandemics and are also being proposed for LICs. Trust funds such as the Global Facility for Disaster Reduction and Recovery (GFDRR) can also be deployed in this area.
- For **crisis response**, core IDA and IBRD instruments (DPFs, IPFs, PforR) have been deployed across all types of crises to help countries deal with response. Recently, a range of new mechanisms has been established that provide pre-arranged financing, which is necessary to implement early and quick crisis responses. IDA’s CRW enables countries affected by various natural disasters or economic emergencies to access financing in addition to their regular IDA allocations. The proposed scale up IDA’s CRW under IDA18 aims at strengthening the Bank’s ability to support response across a wider set of crises. This would complement targeted mechanisms like the Pandemic Emergency Financing Facility (PEF), which can be activated earlier to provide surge financing to the poorest countries to prevent health outbreaks from becoming pandemics. IDA countries can also use the Immediate Response Mechanism (IRM) to access IDA financing in the immediate aftermath of emergencies. Market-based mechanisms, such as the Caribbean and Pacific risk insurance facilities have been developed to help countries respond to natural disasters; support from these facilities straddles prevention, preparedness and response. The design of the PEF builds on lessons from these facilities.
- For **recovery and reconstruction**, core IDA and IBRD instruments (DPFs, IPFs, PforR) have been deployed across all types of crises to help countries deal with response. The proposed scale-up of IDA’s CRW should help bolster WBG support for post-crisis

¹⁸ The Bank’s modernized [Operational Policy 10.0](#) on Investment Project Financing, issued in 2014, contains special considerations that allow fast-tracking processes with a view to responding quickly to crises and emergency situations. Paragraph 12 allows for use of special considerations during project preparation and implementation for countries coming out of crisis, post-conflict situations and countries with serious capacity constraints due to fragility. Prior to the Policy modernization, such special considerations were only available through Emergency Response Loans (ERLs) under OP8.0, which were used often for crisis response projects, but also for support in protracted crisis situations, often in fragile states, where faster response is warranted. Since FY06, US\$9.4 billion in lending was approved in the form of ERLs. Similarly, organizational processes were streamlined for more agile crisis support. For example, in responding to the 2008 financial crisis, the WBG’s three-pronged approach was focused on protecting the most vulnerable, maintaining long-term infrastructure investment, and fostering private sector-led growth. Each pillar was supported by an operational platform: the Vulnerability Financing Facility, the Infrastructure Recovery and Assets platform and the IFC-led private sector platform.

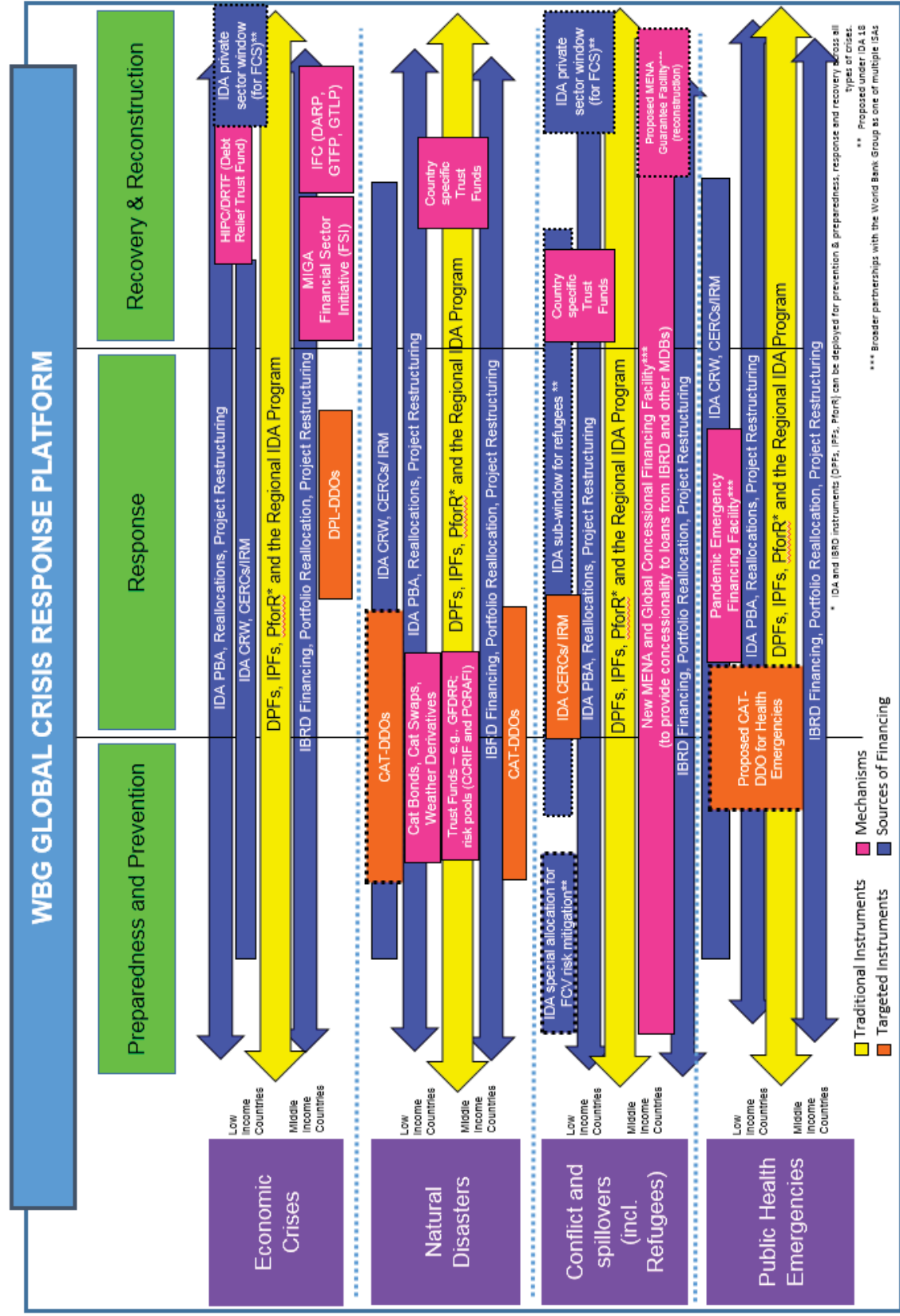
recovery and reconstruction to the poorest countries. A variety of trust funds and IFC and MIGA facilities has been used for recovery and reconstruction. The new Concessional Financing Facility for the Middle East and North Africa region (MENA CFF), for example, is an innovative mechanism, designed to help MICs deal with the influx of refugees. Support from the CFF will straddle the response and recovery, reconstruction phases.

3.1 Key Goals and Benefits of the GCRP

53. **Building on the WBG’s existing toolkit for crisis management, and through periodic, systematic reviews, such as the one undertaken for this paper, the GCRP will help to:**

- **Improve the effectiveness of the WBG’s existing crisis management tools, strengthen complementarity between them, and fill gaps, where needed, through the introduction of new financing mechanisms, instruments and products, as well as innovations on existing ones (see section 3.2 below).**
- **Create and share knowledge, build country capacity, and strengthen systems for crisis preparedness and response.** A significant amount of research exists to understand the benefits and shortcomings of different crisis response mechanisms and instruments. Yet much of this knowledge is limited to the individual crisis response communities. The GCRP aims at generating new cross-country learning related to different crisis response options and innovations, facilitating dissemination of this knowledge, and serving as a platform to discuss the opportunities and limitations of using different crisis response instruments. Over time, this generation and sharing of knowledge could facilitate improvements also in the global policy environment, offering better coherence across the different types of crisis response and better partnership arrangements both at the international and national level.
- **Raise awareness among clients of the full range of crisis financing tools available and when to deploy them for what types of risks.** In the face of a crisis, the first line of defense available to countries includes their own budgetary resources and reserves. The second line of defense available includes contingent lines of credit, including from the Bank. CAT DDOs fall into this category. Next, for relatively less frequent but high severity events, insurance-based instruments that draw on capital markets and reinsurance can be helpful, e.g., the PEF for pandemics, the Caribbean and Pacific catastrophe risk insurance facilities for natural disasters. Finally, ex-post financing is provided through such instruments as IDA’s CRW. Through the GCRP, the WBG will work with clients to raise awareness of these different types of tools, and how to use them.

Figure 3. Global Crisis Response Platform: Financial Instruments and Mechanisms*



54. **The GCRP should be seen as a dynamic platform that will evolve over time.** A key prerequisite is for IDA and IBRD to have the financial capacity to meet the scale of the challenge posed by global threats. In addition, trust funds continue to provide a flexible way of supporting crisis management, and there are opportunities to use these vehicles more smartly, for example by enhancing synergies with other WBG products. Efforts will also be scaled up to innovate and leverage private sector resources in support of crisis risk management.

3.2 New Initiatives to Fill Gaps in the Architecture

3.2.1 New Initiatives for Crisis Prevention and Preparedness

55. **Several new initiatives are under way to strengthen the WBG's crisis prevention and preparedness capacity. The GCRP will help implement these initiatives in an effective and coordinated way.**

The IDA18 proposal

56. **The IDA18 package, currently under negotiation, will be strongly focused on preparedness and disaster risk management (DRM).** As part of the ongoing IDA18 replenishment negotiations, Bank Management proposes to significantly scale up IDA's support to situations of fragility and conflict. A potential doubling of IDA resources allocated for FCV from US\$7.2 billion in IDA17 to US\$14.4 billion is proposed in IDA18.

57. **The IDA18 proposed scale-up also includes an exceptional allocation to mitigate FCV risks in four countries (US\$0.6 billion).** This reflects the redefinition of fragility within the WBG and the move towards looking at specific risks of conflict and violence rather than a list of countries.

58. **Further, the IDA18 proposal under discussion includes a strengthened focus on pandemic preparedness.** This includes investments in building core public health capacity in such areas as disease surveillance, diagnostics, laboratory networks, infection prevention and control, and community engagement.

59. **In addition, there are several proposals to innovate on existing instruments and products to broaden their reach.** For example, as part of the proposed strengthening of IDA's risk mitigation and crisis response capacity under IDA18, there is a proposal to make the CAT DDO available to IDA Countries. At the same time, it is proposed to expand the definition of catastrophic events covered by CAT DDOs to include public health emergencies such as pandemics.

Building and Strengthening Safety Nets

60. **Investing in preparedness requires Adaptive Safety Nets – building a system that can expand and contract as a crisis comes and goes.** Evidence has shown that countries with well-functioning safety nets and social protection systems tend to perform better in the face of natural disasters and economic crisis (e.g. Ethiopia's Productive Safety Net Projects, the Philippines' 4P, Bolsa Familia of Brazil).

61. **Crisis preparedness requires investments during non-crisis time in basic elements** like ID cards, identification of vulnerable populations and households through social registries, developing eligibility criteria and certification/recertification systems, etc. Without these functions in place,

countries often cannot absorb and execute large infusion of financial resources made available for crisis response.

62. **In IDA countries, the Rapid Social Response Program (RSR) has been supporting such catalytic investments and technical assistance to develop safety nets and social protection programs, particularly in Africa.** Ethiopia is a good example of a country that has put in place a strong safety net system that has allowed it to respond effectively to repeated shocks. The Bank-financed aims at increasing access to safety net and disaster risk management systems, complementary livelihoods services and nutrition support for food insecure households in rural areas.

63. **The GCRP will focus on the sharing of such experience and knowledge across other IDA and IBRD countries, to encourage peace-time investments in the building of robust/adaptive safety net systems.**

Pandemic Preparedness

64. **Investing in preparedness to health outbreaks yields significant returns.**¹⁹ Recent expert analyses have concluded that the expected impact of pandemic flu is US\$570 billion *per year*, while just US\$4.5 billion a year spent on preparedness – equivalent to about 3 percent of what rich countries spend on development aid – could make the world much safer. The WBG has estimated that system improvements in public health and animal health to meet the minimum standards of WHO and the World Organization for Animal Health (OIE) would cost US\$3.4 billion a year. In comparison, the economic benefit of better preparedness is estimated to be ten-fold, or US\$36.7 billion annually. Investing in preparedness contributes to shared economic prosperity, both by avoiding losses when disasters occur, and by stimulating innovation and economic development when investment risks are reduced.

65. **Smart and timely investments can make a difference.** The ability of the health system to mount an effective response to Ebola virus outbreaks in Nigeria, Democratic Republic of Congo and Uganda highlight the importance of preparedness even in the context of overall weak systems capacity. The experience of Vietnam, which implemented a comprehensive One-Health program encompassing agriculture, health and education sectors, illustrates what can be achieved when preparedness efforts are scaled up.

66. **Before the recent Ebola outbreak in West Africa, several global initiatives had established a set of guidelines, tools, and technical assistance to help countries improve their preparedness and response capacity.** The International Health Regulations (IHR) guide countries in detecting, assessing, and responding to all events that could potentially constitute public health emergencies of international concern and reporting them to WHO. Another WHO guidance expanded preparedness to include other sectors (e.g., veterinary, education, interior) in a One-Health approach. More recently, a number of countries have promoted a broader Global Health Security Agenda (GHSA), which provides technical targets that encompass key activities related to the prevention of outbreaks, promotion of key practices and actions to improve response capacity of countries.

67. **However, assessments have found that 80 percent of the world's countries have not met their international legal obligations to implement the IHRs.** Of the 194 eligible states, 127 (65

¹⁹ Victoria Y. Fan, Dean T. Jamison, and Lawrence H. Summers, The Inclusive Cost of Pandemic Risk, NBER Working Paper 22137, March 2016; International Commission on a Global Health Risk Framework for the Future, January 2016.

percent) responded to a WHO questionnaire on their state of progress in 2013. Only 13 of the responding member states claimed to have fully put in place IHR capacities, and only 74 reported having developed national plans to meet their core capacity requirements. An assessment in 2013 reported that 43 of 46 African states had done core capacity assessments, but none had fully implemented their national IHR plans. Most countries had not updated their legal framework to incorporate IHR (2005) provisions.²⁰

68. **Despite available development assistance, country preparedness has been lagging because requirements for preparedness are complex.** Preparedness requires an adequately trained and equipped public health workforce, a strong surveillance and response framework, a functional national public health laboratory, a solid legal and regulatory foundation, and robust multi-sectoral coordination. Many components reside in different parts of government. Many countries have struggled even to draft a national plan of action with specific activities, timelines, and budgets. Political willingness and commitment to act on preparedness and to sustain investments over time is a key factor.

69. **Together with WHO, United States Agency for International Development (USAID) and other development partners, WBG is taking a fresh look at the financing of preparedness for health outbreaks,** and is developing a framework that identifies different levels of government that need to take on the financing responsibility. This framework will map available domestic and international public and private sector funds according to specific elements of preparedness, and help decision-makers complement and reinforce financing to specific uses and situations.

70. **As part of its ongoing work on health system strengthening, WBG is stepping up its support to help developing countries improve outbreak preparedness and response.** In the last decade, WBG has invested US\$4 billion in IDA and US\$8 billion in IBRD countries in health system strengthening. In addition, the Global Financing Facility for Every Woman Every Child is making available resources in frontline capacity such as community health workers to provide the foundation for prevention, early detection, and containment.

71. **WBG is investing in regional preparedness efforts** such as the ongoing US\$129 million East Africa Public Health Laboratory Networking Project, which is operational in Burundi, Kenya, Rwanda, Tanzania and Uganda. A new US\$310 million Regional Disease Surveillance Systems Enhancement (REDISSE) Project in West Africa seeks to address systemic weaknesses within the animal and human health systems that hinder effective disease surveillance and response, and strengthen epidemiological intelligence and laboratory capacity of selected Economic Community of West African States (ECOWAS member) countries.

Other initiatives and priorities

72. **Going forward, the establishment of the GCRP will provide an opportunity to review how the WBG can further strengthen its approach to risk mitigation with increased focus on prevention and preparedness:**

- Building on the WBG's increasing engagement to address fragility and to support conflict-affected countries, a thorough examination of the instruments and tools to prevent and mitigate risks of conflict and instability will be necessary. Strengthening the resilience of people, communities, and countries constitutes an important part of the development response not only

²⁰ WHO (2013): "Implementation of the International Health Regulations (2005): Report by the Director General." Sixty-Sixth World Health Assembly Provisional Agenda item 15.1

to reduce the root causes of forced displacement but also to tackle other “global bads”. To this end, the WBG is carrying out research to better understand how development investments can be used to prevent risks of conflict and violence over time.

- Identifying compound risks and understanding the interlinkages between various types of risks will require increased investments in risk monitoring and early warning at global and regional or country level. Drawing on various existing assessment or monitoring tools the WBG could strengthen its approach to global risk monitoring learning from similar systems such as the INFORM and complementing it with in-depth country-level analysis. A more systematic risk scan will be rolled out in FY17.

3.2.2 New Initiatives for Crisis Response, Recovery and Reconstruction

73. **New initiatives, which will serve to strengthen the WBG’s crisis response, recovery and reconstruction capacity, include: (i) a significantly scaled up IDA’s crisis response capacity under the ongoing IDA18 negotiations; (ii) a proposed Global Concessional Financing Facility; and (iii) the recently approved PEF.**

The IDA18 proposal

74. **As part of the ongoing IDA18 replenishment negotiations, Bank Management proposes to significantly scale up IDA’s crisis response capacity, through the following:**

- A potential doubling of IDA resources allocated to FCS to US\$14.4 billion.
- A larger Crisis Response Window (US\$3 billion).
- The creation of a sub window for refugees under the IDA regional program (US\$2 billion): the sub-window will finance projects benefiting refugees and their host communities. It aims to generate the necessary incentives for addressing the refugee challenge through a combination of increased volumes and more favorable financing terms.²¹
- A stronger investment in necessary partnerships for crisis response: among the policy commitments proposed is to more actively use Recovery and Peacebuilding Assessments (RPBAs), undertaken jointly with the EU and UN, and support better transition planning and early investments following conflict and manage associated risks.

The MENA Concessional Finance Facility (CFF)

75. **To address the massive financing needs of the Syrian refugee crisis, the WBG has partnered with the UN and the Islamic Development Bank Group (IDB Group) to mobilize the international community through the MENA CFF, with the objective of delivering development financing at concessional terms to support both refugees and host communities in Jordan and Lebanon, and strengthening coordination between humanitarian and development assistance.** This partnership was based on the realization that the refugee crisis represents not only a humanitarian crisis, but a development crisis as well. The scale of the crisis, its impact on the development agenda of host

²¹ In addition, the IDA18 proposal includes the establishment of a joint IDA/IFC/MIGA private sector window targeted at FCS (US\$2.5 billion).

countries, and the protracted nature of forced displacement imply that humanitarian assistance alone cannot provide an adequate response.

76. **The MENA CFF aims to provide much-needed development support to the middle income countries most affected by refugees in the MENA region, with an initial focus on the Syrian crisis as it impacts Jordan and Lebanon.** A number of middle income countries face major development financing needs given the extraordinary costs of conflict and unrest. MICs coping with significant numbers of refugees, such as Jordan and Lebanon, are beneficiaries of large amounts of humanitarian assistance, but do not have access to the medium- and longer-term development assistance required to address the scope of the challenge. Therefore, in addition to ongoing development and humanitarian assistance, the international community should scale up its support in the form of more favorable medium- and longer-term development assistance to address the substantial financing needs.

77. **The MENA CFF provides various key benefits as it creates a sustainable and predictable financing platform to support middle income countries, in contrast to ad-hoc bilateral and individual multilateral approaches to refugee crises.** To this end, the MENA CFF was recently welcomed at the 2016 G7 Summit, as a way of bolstering international support to refugees and host communities.²² Furthermore, the MENA CFF provides a clear and tangible example of transcending the humanitarian-development divide, a key message of the recent World Humanitarian Summit and the UN Secretary General’s 2016 report “One Humanity, Shared Responsibility.”²³

78. **Critically, the MENA CFF has the following key features to support refugees and host communities, and address refugee crises in middle income countries:**

- **Bridges the gap between humanitarian and development assistance.** Humanitarian and development support should be coordinated in protracted refugee situations and acute crises in order to strengthen the resilience of host countries from day one. In order to provide a holistic international response to refugee crises, a global facility should therefore bring together the UN and MDBs through an open platform. The inclusion of a wide range of partners in the MENA CFF provides more effective coordination of both humanitarian and development support to impacted MICs. This is a significant advantage over bilateral financing or existing multi-donor trust funds, which do not benefit from such an extensive coordination platform.
- **Strengthens the resilience of countries impacted by refugee crises by assisting both host communities and refugees.** In order to holistically address the scale of the challenge, investments must target the forcibly displaced and host communities together and at the same time. This is critical in order to strengthen the resilience of the host country, and better prepare them to address potential future inflows of refugees.
- **Provides impacted countries with financing at advantageous terms, in order to better address the scale of their needs.** For example, in order to provide a US\$100 million loan on concessional terms, a US\$70 million loan and a US\$30 million contribution from the MENA CFF would be combined in an integrated financing package for the benefitting country. Therefore, through the CFF, a US\$1 in contributions can leverage around US\$3-4 in concessional

²² <http://www.mofa.go.jp/files/000160266.pdf>

²³ <http://sgreport.worldhumanitariansummit.org>

financing for middle income countries.²⁴ Ultimately, through the MENA CFF, impacted countries are able to address their development needs as a result of the refugee crisis through concessional financing available by combining grants with loans, as opposed to using only limited grant resources or borrowing at unsustainable rates for a global public good.

- **Supports programs and policy reforms to create sustainable development outcomes.** Financing allocated under the MENA CFF may be used to provide concessional support to operations that have a clearly specified objective and structure for supporting refugees and host communities. In particular, financing may be used to provide concessional support to operations that promote policy reforms in critical sectors and support impacted or vulnerable populations by promoting the effective delivery of basic services (e.g., education, health), expanding economic opportunities (e.g., work permits, job creation), or that strengthen and develop critical infrastructure, support social protection, and promote private sector participation. This can be provided for any type of loan operation on the part of implementing MDBs. In the case of the Bank, for example, such support can be provided through all types of lending operations, including DPLs, IPFs, PforRs, etc.

79. **On April 15, 2016, the WBG President, the UN Secretary General, and the President of the IDB Group convened participants from 38 countries and organizations for the *International Conference for the New Financing Initiative to Support the MENA Region*, a ministerial-level pledging session.** Eight donors pledged US\$140 million in grant contributions and US\$1 billion in loans to IBRD that will separately generate grant contributions for Jordan and Lebanon. These are initial contributions for the first year, with the clear expectation that similar levels of contributions will be made over the next five years. As was announced by the WBG President at the *Supporting Syria and the Region* conference that took place in London in February 2016, the objective is to raise US\$1 billion in grant contributions over the coming five years in order to be able to provide Jordan and Lebanon with around US\$3-4 billion in concessional financing.

80. **The MENA CFF is governed by a Steering Committee comprised of Supporting and Benefiting Countries, with the UN and several participating MDBs providing counsel in an observer role.** The first meeting of the MENA CFF Steering Committee took place on July 28, 2016 and approved financing for its first projects. The two projects approved, representing over US\$340 million in critical development financing, will improve job opportunities for over 200,000 Syrian refugees, and address the urgently needed rehabilitation of municipal infrastructure in Jordan.

81. **A Coordination Unit, housed in the Bank, is charged with liaising with donors, benefiting countries, implementation support agencies, and other partners, as well as performing several administrative tasks critical to the successful functioning of the Facility.** These tasks include, but are not limited to, ensuring financing requests from implementation support agencies/benefiting countries adhere to a specified format; conveying these requests to supporting countries; providing background material and proposing agendas for Steering Committee meetings; and periodically reporting to the Steering Committee on the effectiveness of the Facility in meeting pre-specified objectives. In addition, the Bank serves as the Trustee of the MENA CFF, and is responsible for managing the financial elements of the facility, including receiving contributions from donors and transferring MENA CFF funds to implementation support agencies for approved operations.

²⁴ Note that this leverage ratio reflects the current difference between IBRD fixed spread loans and IDA regular loans, which stands at 250 basis points as of January 2016. The amount of concessional financing that can be leveraged with donor grant contributions is therefore subject to any changes in rates

The Global Concessional Finance Facility (Global CFF)

82. **Even as the MENA CFF works to provide urgent support to Jordan and Lebanon, it is critical to develop a structural approach with which to respond to refugee crises that affect middle-income countries across the globe, including protracted and longstanding refugee situations, as well as refugee shocks that may arise in the future.** Currently, there are about six million refugees in middle-income countries, of which over 80 percent are hosted by MENA countries and Turkey. However, looking ahead, it is necessary to prepare for crises that may emerge across the globe and have a flexible financing response in place that can quickly provide medium- to longer-term development support that is fully coordinated with humanitarian assistance.

83. **The WBG is working with international partners to finalize the expansion of the MENA CFF to the global level in the form of the Global CFF.** Expanding and adapting the MENA CFF globally is the optimal approach to develop a structural international response to address the medium- and longer-term development impact of refugee shocks in middle-income countries globally. The existing MENA CFF provides various benefits that can be adapted globally, particularly as it creates a sustainable and predictable financing platform for MDBs to support MICs, complementing other bilateral and multilateral approaches to achieve collective outcomes linked to refugee crises in the region.

84. **The Global CFF has received broad support and is expected to be finalized for announcement during the Leaders' Summit on Refugees at the UN General Assembly on September 20.** On July 28, 2016, in Beirut, MENA CFF Steering Committee members expressed strong support for the establishment of the Global CFF. In the subsequent weeks, the World Bank has worked closely with Steering Committee partners to revise the MENA CFF's operating documents to allow it to support eligible middle-income countries at the global level. Notably, both Jordan and Lebanon – the initial Benefiting Countries of the MENA CFF – have expressed support for the Global CFF, noting that the existence of such a facility would have allowed them to the outset of the Syrian crisis much more quickly.

85. **Critically, the Global CFF will preserve the CFF's key features to support refugees and host communities in middle-income countries, including:**

- Bridging the gap between humanitarian and development assistance;
- Enhancing coordination between MDBs, the UN and other partners to address shared priorities;
- Strengthening the resilience of countries impacted by refugee crises by assisting both host communities and refugees;
- Leveraging innovative financing modalities to scale-up support; and
- Supporting programs and policy reforms, aligned with global normative frameworks and linked to national development plans, to create sustainable development outcomes.

86. **In addition, as the facility expands beyond the MENA region to be able to respond to refugee crises globally, it will draw on key lessons learned from the design and operationalization and will add a select few, yet crucial, features, including:**

- *Eligibility Criteria for Adding Benefitting Countries.* The decision to widen the geographic scope of the facility and add countries to benefit from the Global CFF would be at the discretion of Supporting Countries (donors) in the Steering Committee, and would draw on the counsel of observers – including the MDBs, IFIs and the UN – in the Steering Committee. These criteria are still under discussion, but some of those that have been proposed include: whether a country hosts more than 25,000 refugees and in whether refugees represent more than 0.1 percent of the host country’s population; adherence to international instruments, such as the 1951 Refugee Convention or its 1967 Protocol, or relevant regional instruments related to the protection of refugees; and additional factors such as host countries’ commitment to policy reforms that support refugees and host communities, as well host countries’ total financing needs and debt sustainability, and whether they are experiencing an active refugee crisis, among others.
- *Level of Concessionality.* For MICS that donors add as Benefitting Countries, it is proposed that the Global CFF have a fixed concessionality spread across all funded operations, as is currently the case for Lebanon and Jordan under the MENA CFF.
- *Additional MDBs as Implementation Support Agencies.* Currently, the MENA CFF includes the World Bank, EBRD, EIB, IDB and, in exceptional grant circumstances, designated UN agencies, as implementation support agencies. A Global CFF may seek to bring onboard additional MDBs as appropriate and at the discretion of Supporting Countries in the Steering Committee.

87. **Projects financed by the Global CFF could include support refugees through access to work permits, education, social services, and basic infrastructure, as well as through by the passage of progressive refugee legislation, and the establishment of protection principles.** Benefitting countries would therefore have to demonstrate their commitment to policy principles that contribute to long-term solutions that benefit both refugees and host communities, and in doing so, provide a global public good.

The Pandemic Emergency Financing Facility (PEF)

88. **While much more needs to be done to strengthen preparedness, even a well prepared national system may be overwhelmed by a severe disease outbreak.** Cash needs increase dramatically for severe events the longer it takes to mount a substantial and comprehensive response. WHO’s Contingency Fund for Emergencies (CFE), UN’s Central Emergency Response Fund (CERF), United Nations Children’s Emergency Fund (UNICEF) and World Food Programme (WFP), and humanitarian agencies like Médecins Sans Frontières (MSF) and International Federation of Red Cross and Red Crescent Societies IFRC, come in with early response support for high-frequency outbreak – but these amounts are not sufficient if the outbreak escalates. After the severity and urgency of the crisis become apparent, humanitarian finance begins to flow in larger amounts. However, between these early response efforts, and the larger, humanitarian response, there is a critical funding gap at the stage when it becomes clear that an outbreak has pandemic potential and is spreading rapidly, but before catastrophic loss may be evident.

89. **Further, there are many known pathogens with pandemic potential that have no effective prevention or treatment.** For unknown or new pathogens, neither treatment nor good diagnostics exist. When severe outbreaks do occur, the current approach to financing country and global response is slow, fragmented and crisis-driven. Dependent on “pass the hat,” donor-by-donor financing, it typically comes in too late for a fast-moving, deadly outbreak. The time that it took domestic and international authorities to mount an organized and efficient response during the recent Ebola outbreak demonstrated these deficiencies.

90. **Against this backdrop, the recently approved Pandemic Emergency Financing Facility (PEF), which is expected to become operational by year-end, has been designed to provide timely and effective support to IDA-eligible countries to help them respond to severe disease outbreaks with pandemic potential.** Learning from the lessons of Ebola and developed in partnership with the WHO, the PEF is designed to help fill the pandemic response funding gap that occurs after the period of immediate to early investigation, assessment and response – and before large-scale disaster and humanitarian relief funding is mobilized. The Facility, which will become up and running later this year, will provide money, medical teams and life-saving supplies in a timely manner to the 77 poorest (IDA) countries to prevent a major health outbreak from spreading and escalating. The Facility has two windows, which will complement each other:²⁵

- **PEF’s insurance window will provide a targeted initial coverage of US\$500 million over three years to cover infrequent, severe events.** The insurance will be used to cover outbreaks of infectious diseases most likely to cause major epidemics, including new influenza, Coronavirus (e.g., SARS, MERS), Filovirus (e.g., Ebola, Marburg) and Crimean Congo, Rift Valley, and Lassa fevers. The three-year insurance coverage is funded by pandemic bonds (capital-at-risk notes) issued by the World Bank together with funding from the reinsurance markets. Bond coupons and insurance premiums will be funded by donors. Once an outbreak meets predetermined parametric triggers based on *size, severity and speed*, money will flow to the afflicted countries and international responders. It is anticipated that PEF funding will facilitate a quick and timely response to health crises, enabled by the crisp, contractual rigor that the private sector brings.
- **The PEF’s cash window (US\$50 - 100 million) will complement the insurance window,** recognizing that severe outbreaks from unknown or newly emerging pathogens may occur that do not fit or have not yet met the insurance activation criteria. The principles guiding the use of the cash window will follow those used for insurance but with greater flexibility in terms of the amount and frequency of payouts and the range of pathogens.

91. **The PEF will provide a conduit for more harmonized and efficient pandemic response funding for PEF-eligible country governments and responding agencies** including UN agencies, MDBs and CSOs. To ensure efficient and fast disbursement, the PEF will have a simple governance structure as well as transparent and rapid allocation and payout arrangements.

92. **The PEF presents a strong value-for-money proposition.** Its design, which is based on parametric insurance, offers the following key advantages over more traditional, indemnity (loss-based) insurance.

- First, by linking payouts to well-defined, transparent triggers, based on publicly-available data, the PEF’s parametric structure will help de-politicize pandemic response.
- Second, it will allow for more timely interventions that can help prevent health outbreaks from reaching pandemic proportions, thereby saving lives and money. The Bank’s analysis shows that had the PEF been operational during the Ebola crisis in mid-2014, US\$100 million could have been disbursed as early as July that year for a much more rapid response. Instead, that level of funding did not begin to flow until three months later – during which Ebola cases increased

²⁵ “Pandemic Emergency Financing facility – Global Pandemic Response through a Financial Intermediary Fund”, World Bank, May 3, 2016.

tenfold – at a cost of US\$10 billion and counting for donor-financed emergency response and recovery efforts and economic losses to the affected countries.

- Third, parametric insurance typically helps reduce transaction costs involved in writing and administering insurance policies because it takes away the need for actual loss assessments for payment of claims.

93. **The PEF’s design enables the leveraging of private resources with relatively small amounts of public funding, facilitates sharing of risks between the public and private sectors, and promotes the development of a new market for pandemic insurance in which, over time, countries can sustainably finance their own coverage against pandemics.** Experience with catastrophic risk insurance facilities, such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Pacific Catastrophic Risk Facility (PCRAFI), on which we have drawn for the PEF’s design, is encouraging. In these cases too, the World Bank played a market-making role with support from development partners. Over time, as investor confidence grew, the coverage expanded, and premiums fell. Covered countries began to contribute to premium payments. For PCRAFI, by the fourth year of operation, covered countries contributed a 100 percent of their premium obligations. We expect the PEF’s trajectory to evolve in a similar fashion.

94. **The PEF is expected to play an important role in catalyzing the creation of new products to insure against pandemic risk and in attracting new players and capital.** For instance, the CCRIF highlighted how catastrophic insurance was possible, and sovereigns, like Mexico, developed their own cat products, at better rates, because investors were familiar with the CCRIF. The analytical research and design work underpinning the PEF’s development has already spurred wider research in the field of pandemic risk modelling and has sparked investor interest in this area.

95. **The Facility will complement the WHO’s new enhanced early response efforts and is expected to play a role in fostering preparedness.** The PEF will require countries to develop strong response plans, and in so doing, it should encourage greater global and national investments in preparedness – including in more resilient national health systems and regional surveillance and detection networks.

A possible new, multi-sectoral initiative for MICs

96. **Over the medium term, there might be a case to establish a new, multi-sectoral, flexible funding mechanism within the Bank for risk mitigation and crisis management support to IBRD countries.** With a focus on MICs, such a mechanism could serve as a substitute for the variety of individual country and regional trust funds that tend to be established in the wake of a crisis, thereby reducing transactions costs and increasing the speed of response. It could draw on donor resources, to complement IBRD support, and could provide support through a variety of means, for example, insurance premiums, debt buy-downs, concessional funds to co-finance IBRD loans, etc.

Building on Experience with Insurance Products

97. **Efforts will be made to build on the WBG’s successes in intermediating products financed by the markets, including the issuance of catastrophe bonds, facilitating the regional pooling of risk, and accessing insurance markets.** This can take the form of the Bank providing technical assistance to concrete transactions, or, at a broader scale, the Bank can help develop a private sector market for a new product, as it is doing with the PEF. While the offer in these areas is substantial and

growing, improvements can be made. For example, the benefits of risk pooling need to be further examined along with opportunities to develop proposals on risk pooling to help countries reduce the cost of the crisis financing products that they buy directly from WBG or from the private sector through WBG intermediation. More can also be done to develop new private sector-based risk markets to cover emerging risks.

98. **The WBG is currently looking at expanding its ability to offer catastrophic risk products to member governments** by establishing a catastrophic risk vehicle, endowed with risk capital that would be able to warehouse risk to facilitate risk pooling.

3.3 Institutional Coherence and Coordination

99. **It is recognized that the various sources of crisis financing, such as the CRW, the MENA CFF, the Global CFF, the PEF, or dedicated trust funds, have their own governance and administrative arrangements, and are institutionally located in different parts of the WBG.** The available instruments and tools financed by these various financing sources can be utilized by different parts of the WBG, depending on the type of crisis and its geographical location. The role of the GCRP, as noted above, is to connect the dots so as to strengthen synergies across the various WBG units working on risk mitigation and crisis management; ensure that various initiatives and tools complement each other and can be deployed smartly; fill gaps in the architecture, as needed; and make sure that relevant knowledge and experience is shared across the WBG and its clients.

100. **To achieve its objective, and strengthen synergies across various WBG units working on crisis risk mitigation and management, appropriate decision-making and coordination mechanisms will be put in place.** At the top management level, crisis platform meetings will be convened as and when needed and chaired at the MD level. In addition, a senior working-level coordination mechanism will be established to share information and lessons learned, to ensure coherence across various on-going initiatives and existing tools and to guide work on identified priority actions and facilitate client-facing units in their dialog with clients on crisis management. This coordination mechanism will draw, for example, on periodic reviews of financing mechanisms and instruments.

101. **As noted above, partnerships, coordination, and collaboration are critical to successful delivery.** In addition to IFI/UN partners, other stakeholders – including CSOs, faith-based organizations, foundations, and private sector partners – are integral to the crisis management ecosystem. As part of the coordination mechanism noted above, key partners will be consulted on an ongoing basis as the WBG continues to strengthen the GCRP.

Annex 1: Crisis-related Trust Funds

1.1: Trust funds in support of natural disaster prevention, and mitigation

<u>Trust Fund Name</u>	<u>Contribution Paid-in (US\$ Million)</u>
<i><u>Global/ Regional Programs</u></i>	
<u>Carbon Funds</u>	
Ozone Projects Trust Fund (OTF)	1,169
First Tranche of the Umbrella Carbon Facility	928
Carbon Fund of the Forest Carbon Partnership Facility	446
Readiness Fund of the Forest Carbon Partnership Facility	318
Spanish Carbon Fund	292
Prototype Carbon Fund	203
Third Tranche of the BioCarbon Fund (BioCFT3)	186
Spanish Carbon Fund - Prepaid Trust Fund	181
Second Tranche of the Umbrella Carbon Facility	177
Energy Sector Management Assistance Program Multi Donor Trust Fund	163
Italian Carbon Fund	147
Carbon Fund of the Carbon Partnership Facility	144
Community Development Carbon Fund	124
Second Tranche of the Spanish Carbon Fund	113
Italian Carbon Fund - Prepaid Contributions Trust Fund	109
Danish Carbon Fund	108
BioCarbon Fund Trust Fund (BioCF) - Third Tranche - Prepaid Trust Fund	103
Biocarbon Technical Assistance Trust Fund	99
Carbon Initiative for Development (Ci-Dev) Carbon Fund	96
BioCarbon Fund	61
Community Development Carbon Fund - Prepaid Trust Fund	45
Carbon Capture and Storage Trust Fund	45
Carbon Partnership Facility - Prepaid Trust Fund	35
Second Tranche of the BioCarbon Fund	32
The World Bank/European Investment Bank (EIB) Carbon Fund for Europe	31
Carbon Finance Assist Trust Fund	28
BioCarbon Fund (BioCF) - Prepaid Trust Fund	21
Carbon Asset Development Fund (CADF) Multi Donor Trust Fund	15
Umbrella Carbon Facility Tranche 2 (UCFT2) Prepaid Contributions Trust Fund	13
Swedish Prototype Carbon Fund - Holding Trust Fund	13
Second Tranche of the BioCarbon Fund - Prepaid Account	12
Canada Prototype Carbon Fund - Holding Trust Fund	10
BioCFplus REDD+ Readiness Support Multi-Donor Trust Fund	10
Carbon Initiative for Development Readiness Fund	9
Finnish Prototype Carbon Fund Holding Trust Fund	8
Danish Carbon Fund - Prepaid Trust Fund	8
BioCFplus Technical Assistance and Capacity Building Fund	3
Reduce Carbon Emissions from Deforestation and Degradation Plus (REDD+) Support Facility	2
Community Development Carbon Fund (CDCF) Technical Assistance Trust Fund	1
<i><u>Sub-total</u></i>	<i><u>5,509</u></i>

<u>Disaster Risk Management²⁵</u>	
Multi Donor Trust Fund for Mainstreaming Disaster Reduction Initiative of the Global Facility for Disaster Reduction and Recovery	199
European Union (EU) - African, Caribbean, and Pacific (ACP) Region Disaster Reduction Partnership Trust Fund	81
Multi Donor Trust Fund for Mainstreaming Disaster and Climate Risk Management in Developing Countries	68
Japan-World Bank Program for Mainstreaming Disaster Risk Management in Developing Countries	50
Callable Funds for the Standby Recovery Financing Facility of the Global Facility for Disaster Reduction and Recovery (GFDRR)	36
Standby Recovery Financing Facility of the Global Facility for Disaster Reduction and Recovery	25
Trust Fund for Building Resilience of African Nations and Communities to Disasters caused by Natural Hazards	13
Australian Trust Fund for Mainstreaming Disaster Reduction of the Global Facility for Disaster Reduction and Recovery	11
Japan Trust Fund for Mainstreaming Disaster Reduction Initiative of the Global Facility for Disaster Reduction and Recovery (GFDRR)	6
Spanish Trust Fund for Mainstreaming Disaster Reduction Initiative of the Global Facility for Disaster Reduction and Recovery (GFDRR)	5
EU-South Asia Capacity Building for Disaster Risk Management	5
Global Partnership on Disaster Risk Financing Analytics	4
Disaster Management Fund (DMF)	4
Multi Donor Trust Fund for Mainstreaming Disaster and Climate Risk Management in Developing Countries	3
South-South Cooperation for Mainstreaming Disaster Reduction Multi Donor Trust Fund under the Global Facility for Disaster Reduction	1
<i>Sub-total</i>	<i>510</i>
<u>Climate/others</u>	
IBRD/Netherlands Clean Development Mechanism (CDM) Facility - Euro Trust Fund	323
Climate Innovation Multi Donor Trust Fund	54
Multi Donor Trust Fund for Program for Forests (PROFOR)	45
Korea Green Growth Trust Fund	39
Pollution Management and Environmental Health Multi Donor Trust Fund	28
Africa Nordic Development Fund (NDF) Climate Change Program	22
Multi Donor Trust Fund for Communication for Climate Change	17
IBRD/Netherlands Clean Development Mechanism Facility - U.S. Dollar Trust Fund	15
Integrated Land and Water Management for Adaptation to Climate Variability and Change	10
Public-Private Infrastructure Advisory Facility (PPIAF) Integrating Climate Change Agenda with Public Private Partnerships Program	9
Multi Donor Trust Fund for the Africa Climate Change Program	9
Climate Resilient and Low-Carbon Development Multi Donor Trust Fund	4
<i>Sub-total</i>	<i>577</i>

²⁵ In addition, Aforementioned RSR (TF071370) and Sahel Adaptive Social Protection MDTF (TF072151) can—Sahel more directly in terms of topic but for a limited set of countries—support social protection’s DRM/CC adaptations.

<u>Catastrophe Risk Insurance Funds</u>	
Central America and Caribbean Catastrophe Risk Insurance Program Multi Donor Trust Fund	24
Southeast and Central Europe Technical Assistance for Catastrophe Risk Insurance Facility (SECE CRIF) Single Donor Trust Fund	6
Disaster Risk Financing and Insurance Multi Donor Trust Fund	7
Pacific Disaster Risk Financing and Insurance Multi Donor Trust Fund	6
<i>Sub-total</i>	<u>42</u>
<i>Sub-total Global/Regional Programs</i>	<u>6,639</u>
<u>Country Programs</u>	
<u>Disaster Risk Management</u>	
Serbia National Disaster Risk Management Program Single donor trust fund	5
<u>Post-Disaster Reconstruction</u>	
Multi Donor Fund for Aceh and Nias (Indonesia)	655
Nepal Earthquake Reconstruction Multi-Donor Trust Fund	21
<u>Climate Change Mitigation/ Others</u>	
Multi Donor Trust Fund for Bangladesh Climate Change Resilience Fund	130
Brazilian Rain Forest Trust Fund	69
Brazil Cerrado Climate Change Mitigation Single Donor Trust Fund	16
Maldives Climate Change Multi Donor Trust Fund	12
European Union - Forest Investment Program - Burkina Faso - Forest and Woodland Decentralized Management	5
Liberia Forest Landscape Single Donor Trust Fund	2
<i>Sub-total Country Programs</i>	<u>915</u>
<i>Grand Total</i>	<u>7,553</u>
<u>Memo item – Financial Intermediary Funds</u>	
Global Environment Facility	16,545
Climate Investment Funds (CTF, SCF)	8,238
Green Climate Fund	6,084
Adaptation Fund	541
Special Climate Change Fund (SCCF)	351
Pilot Auction Facility (PAF)	53

1.2: Trust funds supporting public health (pre-outbreak preparedness, response and recovery)

<u>Trust Fund Name</u>	<u>Contribution Paid-in (US\$ Million)</u>
<u>Global/ Regional Programs</u>	
<u>Community Health</u>	
Multi-Donor Trust Fund for the Global Financing Facility (GFF) in Support of Every Woman Every Child	429
Integrating Donor-Financed Health Programs Multi Donor Trust Fund	8
Municipal Health Service Strengthening Project	5
Health Professional Education and Training Project – EU	4
International Health Partnership (IHP+) Trust Fund	4
Health and the Economy Trust Fund	4
<u>Sub-total</u>	<u>455</u>
<u>Communicable diseases/Immunization</u>	
Gates Foundation Grant for Global Program to Eradicate Poliomyelitis	189
United Nations Foundation Grant for Global Program to Eradicate Poliomyelitis	92
Trust Fund for UNAIDS Global and Regional Activities for Intensified Response to HIV/AIDS	50
Global Medicines Regulatory Harmonization Initiative Trust Fund	22
Support to International AIDS Vaccine Initiative (IAVI) -Sendai Vector	10
Reducing Tuberculosis (TB) and HIV/AIDS in Mining Communities of Southern Africa	6
<u>Sub-total</u>	<u>369</u>
<u>Surveillance and Service Delivery</u>	
Disease Surveillance and Response in West Africa Multi-Donor Trust Fund	5
Benchmarking for Service Delivery Multi Donor Trust Fund	5
Neglected Tropical Diseases (NTD) Innovative Analysis Multi Donor Trust Fund	1
<u>Sub-total</u>	<u>10</u>
<u>Health Crisis Recovery</u>	
Ebola Recovery and Reconstruction Trust Fund	53
<u>Sub-total</u>	<u>53</u>
<u>Sub-total Global/Regional Programs</u>	
<u>887</u>	
<u>Country Programs</u>	
<u>Community Health</u>	
Bangladesh Health Sector Development Program Multi Donor Trust Fund	341
Multi Donor Trust Fund for the Cambodia Second Health Sector Support Program	132
Malawi Agricultural Sector Wide Approach Support Project Multi Donor Trust Fund	78
Bangladesh Health Sector Development Program	38
Multi Donor Trust Fund for the Health Sector Strategic Plan Support Project in Timor-Leste	32
Pakistan Partnership for Improved Nutrition Multi Donor Trust Fund	26
Support for Nutrition Activities and Policies in Malawi	14
Kyrgyz Republic Swiss Trust Fund for the Second Health and Social Protection Project (SWAp2)	11
Reducing Health Risk Factors in Bosnia and Herzegovina	2
Bangladesh Health Sector Development Program Single Donor Trust Fund - Successor to TF071781	2
Trust Fund for Improving Financial Protection and Quality of Care in Republic of Kosovo	1
<u>Sub-total</u>	<u>676</u>

<u>Communicable diseases/Immunization</u>	
Pakistan National Immunization Support Project Multi-Donor Trust Fund	44
Health, HIV/AIDS and Tuberculosis Project in the Kingdom of Swaziland	9
<i>Sub-total</i>	<u>53</u>
<u>Surveillance and Service Delivery</u>	
Co-financing of the Health Service Delivery Project for Mozambique	17
Trust Fund for Service Delivery Quality Assessment and Resource Tracking Study in Nigeria	4
Co-financing of the Health Service Delivery Project for Mozambique	4
TANZANIA HEALTH RESULTS BASED FINANCING TRUST FUND PROGRAM	2
Senegal Health Result-Based Financing Trust Fund	1
<i>Sub-total Country Programs</i>	<u>758</u>
<u>Grand Total</u>	<u>1,645</u>
<u>Memo item – Financial Intermediary Funds</u>	
Global Fund to Fight Aids, Tuberculosis and Malaria	38,013
International Finance Facility for Immunization (IFFIm)	5,521
Advance Market Commitment for Pneumococcal Vaccines (AMC)	1,401

1.3: Trust funds in support of conflict and spillovers (incl. refugees)

<u>Trust Fund Name</u>	<u>Contribution Paid-in (US\$ Million)</u>
<u>Global/ Regional Programs</u>	
State- and Peace- Building Multi Donor Trust Fund	271
Conflict-Affected and Fragile Economies Facility	43
Korea Trust Fund for Economic and Peace-building Transitions	24
Multi Donor Trust Fund for Forced Displacement	13
SIDA Co-financing Kenya Informal Settlements Improvement Project	10
<u>Sub-total</u>	<u>360</u>
<u>Country Programs</u>	
Afghanistan Reconstruction Trust Fund	9,086
World Bank Assistance to the West Bank and the Gaza Strip	980
Palestinian Recovery and Development Plan Multi Donor Trust Fund	831
Liberia Reconstruction Trust Fund	185
Somalia Multi-Partner Fund	150
South Sudan Transition Trust Fund	75
Trust Fund for Lebanon	74
Lebanon Syrian Crisis Multi Donor Trust Fund	64
Colombia Peace and Post-Conflict Support Multi Donor Trust Fund	6
DRC Reinsertion and Reintegration Program Single Donor Trust fund	3
<u>Sub-total</u>	<u>11,453</u>
<u>Grand Total</u>	<u>11,813</u>