GLOBAL CRISIS RISK PLATFORM

JUNE 26, 2018
**ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADM</td>
<td>Accountability and Decision-Making framework</td>
</tr>
<tr>
<td>ASP</td>
<td>Adaptive social protection</td>
</tr>
<tr>
<td>BPS</td>
<td>Budget, Performance Review &amp; Strategic Planning</td>
</tr>
<tr>
<td>Cat DDO</td>
<td>Catastrophe Deferred Drawdown Option</td>
</tr>
<tr>
<td>CEN</td>
<td>Country Engagement Note</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CERC</td>
<td>Contingent Emergency Response Component</td>
</tr>
<tr>
<td>CERT</td>
<td>Cybersecurity Emergency Response Team</td>
</tr>
<tr>
<td>CMU</td>
<td>Country management unit</td>
</tr>
<tr>
<td>CPF</td>
<td>Country Partnership Framework</td>
</tr>
<tr>
<td>CRO</td>
<td>Chief Risk Officer</td>
</tr>
<tr>
<td>CRW</td>
<td>Crisis Response Window</td>
</tr>
<tr>
<td>DEC</td>
<td>Development Economics</td>
</tr>
<tr>
<td>DFI</td>
<td>Development Finance Vice Presidency</td>
</tr>
<tr>
<td>DPL</td>
<td>Development policy loan</td>
</tr>
<tr>
<td>DPL DDO</td>
<td>Development policy loan with deferred drawdown option</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of Congo</td>
</tr>
<tr>
<td>DRM</td>
<td>Disaster risk management</td>
</tr>
<tr>
<td>ECR</td>
<td>External and Corporate Relations</td>
</tr>
<tr>
<td>EFI</td>
<td>Equitable Growth, Finance and Institutions</td>
</tr>
<tr>
<td>ENR</td>
<td>Environment &amp; Natural Resources</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FAM</td>
<td>Famine Early Action Mechanism</td>
</tr>
<tr>
<td>FCS</td>
<td>Fragile and conflict-affected situations</td>
</tr>
<tr>
<td>FCI</td>
<td>Finance, Competitiveness and Innovation Global Practice</td>
</tr>
<tr>
<td>FCV</td>
<td>Fragility, conflict, and violence</td>
</tr>
<tr>
<td>GBV</td>
<td>Gender-based violence</td>
</tr>
<tr>
<td>GCFF</td>
<td>Global Concessional Financing Facility</td>
</tr>
<tr>
<td>GCRP</td>
<td>Global Crisis Risk Platform (previously Global Crisis Response Platform)</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GFDRR</td>
<td>Global Facility for Disaster Reduction and Recovery</td>
</tr>
<tr>
<td>GFRP</td>
<td>Global Food Crisis Response Program</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographical Information System</td>
</tr>
<tr>
<td>GP</td>
<td>Global Practice</td>
</tr>
<tr>
<td>GSURR</td>
<td>Social, Urban, Rural &amp; Resilience Global Practice</td>
</tr>
<tr>
<td>GSD</td>
<td>General Services Department</td>
</tr>
<tr>
<td>GT</td>
<td>Global Theme</td>
</tr>
<tr>
<td>HNP</td>
<td>Health, Nutrition, and Population</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communications technology</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IEG</td>
<td>Independent Evaluation Group</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>INGO</td>
<td>International nongovernmental organization</td>
</tr>
<tr>
<td>INT</td>
<td>Integrity Vice Presidency</td>
</tr>
<tr>
<td>IPF</td>
<td>Investment project financing</td>
</tr>
<tr>
<td>ISG</td>
<td>Information Solutions Group</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and evaluation</td>
</tr>
<tr>
<td>MNA</td>
<td>Middle East and North Africa Region</td>
</tr>
<tr>
<td>MFM</td>
<td>Macroeconomics and Fiscal Management</td>
</tr>
<tr>
<td>MIC</td>
<td>Middle-income country</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
</tr>
<tr>
<td>MTI</td>
<td>Macroeconomic, Trade and Investment Global Practice</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPICS</td>
<td>Operations Policy and Country Services</td>
</tr>
<tr>
<td>PforR</td>
<td>Program-for-Results</td>
</tr>
<tr>
<td>PSW</td>
<td>Private Sector Window</td>
</tr>
<tr>
<td>RPBA</td>
<td>Recovery and Peace-Building Assessment</td>
</tr>
<tr>
<td>RVP</td>
<td>Regional Vice President</td>
</tr>
<tr>
<td>SCD</td>
<td>Systematic Country Diagnostic</td>
</tr>
<tr>
<td>SDR</td>
<td>Special Drawing Right</td>
</tr>
<tr>
<td>SORT</td>
<td>Systematic Operations Risk-Rating Tool</td>
</tr>
<tr>
<td>SPF</td>
<td>State and Peacebuilding Fund</td>
</tr>
<tr>
<td>T&amp;C</td>
<td>Trade and Competitiveness</td>
</tr>
<tr>
<td>TRE</td>
<td>Treasury</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>TPM</td>
<td>Third-party monitoring</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>UNISDR</td>
<td>United Nations Office for Disaster Risk Reduction</td>
</tr>
<tr>
<td>UN-OCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Program</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

1. Developing countries face an increasingly complex risk landscape, marked by interconnected hazards that threaten to roll back the development gains of recent decades and undermine efforts to end extreme poverty by 2030. Natural hazards like floods and extreme weather events destroy crops, livestock assets, and water and sanitation infrastructure, sparking disease and pest outbreaks. Armed conflicts drive refugee flows, exposing vulnerable populations to food insecurity and malnutrition. Financial crises stoke mass protests and civil unrest that can stress the social fabric of a society and create broader instability and violence. The World Development Report 2017 found that many countries are richer not because they have grown faster than poorer ones, but because they have had fewer episodes in which crisis or conflict shrunk their economies.\footnote{World Bank 2017c.} A recent synthesis of evaluations by the Independent Evaluation Group (IEG)\footnote{Independent Evaluation Group 2017a.} concluded that the World Bank Group (WBG) generally has responded nimbly to shocks but that there is room for improvements—for example, in internal coordination, strategic programming, supporting and tapping the private sector, and sustaining engagement beyond crises.

2. In 2016, at the request of Executive Directors, the WBG reviewed its crisis-related funding mechanisms and instruments, an exercise that resulted in the establishment of the Global Crisis Response Platform (GCRP). The platform brings together the full suite of financial tools the Bank Group has available to help countries manage crisis risks. It aims to strengthen cooperation and leverage complementarities across units working on risk mitigation and crisis management. It further seeks to fill gaps in the Bank’s institutional architecture on crisis management and ensure that relevant knowledge and experience are better shared within the WBG and among its clients. The GCRP helped to facilitate the Bank’s US$1.8 billion response to the famine emergency in Africa and Yemen.

3. This paper fulfills a commitment Management made to Executive Directors in September 2016 to further develop and operationalize the platform—now renamed the Global Crisis Risk Platform (GCRP). This paper has benefited from extensive consultations with, and guidance from, a wide range of teams across the WBG, including Regions, country management units (CMUs), Global Practices (GPs), Global Themes (GTs), corporate units, and shareholders, as well as external partners. Informed by these discussions, the paper seeks to synthesize, draw from, and build on the vast experience and capacity the WBG and the global community have amassed in crisis risk management. A consistent theme of the consultations is the need for the Bank’s crisis management efforts to place much greater emphasis on prevention, when crisis risks can be mitigated, and preparedness, when they cannot be significantly mitigated. This “pivot to preparedness and prevention” represents a central tenet of the GCRP.

4. The WBG capital package agreed in April 2018 highlights fragility, conflict, and violence (FCV), and crisis risk management as central development challenges. As part of its policy commitments under the package, WBG Management proposes to strengthen its engagement in both areas. The GCRP will enhance support to clients facing complex and interconnected crisis risks and will thus play a key role in operationalizing the Bank’s pivot to prevention on crisis and FCV. The package raises the prospect of increased resources for preventive efforts, noting their
centrality to global stability and development. This paper sets out a strategic agenda to operationalize the GCRP, offering assurance that the Bank is giving systematic and increasing focus to managing crisis risk dynamics.

5. **The primary objective of the GCRP is to strengthen the Bank Group’s ability to provide a coherent and strategic approach to identifying and mitigating crisis risks in client countries before they turn into full-blown crises.** The GCRP also aims to strengthen the institution’s response to the most serious crises, especially where a combination of shocks can have a devastating impact or spill across borders, as in the ongoing food crises in parts of Africa and in Yemen. The GCRP will focus on the interaction and combination of various risks (“compound risks”), including macro shocks, natural disasters, conflict, food emergencies, and pandemics, and will give priority to the most vulnerable and fragile contexts, where institutional and financial capacity to cope is limited.

6. **As a network of operational and corporate units, the GCRP will serve as a forum to bring together the Bank’s expertise in crisis risk management, and to deepen partnerships with external actors.** The WBG’s history of contributions to, and extensive experience in, crisis management—including strengthening resilience—spans decades. Building on this experience, the GCRP aims to support the search for lessons and innovative solutions within and outside of the Bank. As a platform, its focus will be on strengthening “horizontal” collaboration, learning, and information-sharing across sectors and Regions, and strengthening synergies between existing and new workstreams across the Bank. The GCRP will operate in alignment with the ADM, under which the responsibility for client engagement rests with RVPs and CMUs, which are closest to where crisis risks occur, and which have deep knowledge of the country and sectoral contexts. The Bank will also continue to deepen its partnerships with external actors, including humanitarian organizations, on all aspects related to crisis risk management.

7. **To strengthen the World Bank’s focus on crisis management-related issues and, in particular, to trigger early preventive action, the GCRP will include dedicated institutional processes at Senior Management levels.** The CEO will convene quarterly meetings of relevant WBG leaders to assess selected crisis risks and high-risk situations. The CEO will also convene the platform as needed to support crisis response based on criteria such as cross-regional impacts and country coping capacity. Only the most severe or complex crises will be escalated to GCRP meetings, with others addressed through existing mechanisms. A bimonthly meeting at the director level with representatives from relevant CMUs, GPs, GTs, and corporate units will discuss developing risks that, individually or in combination, threaten to become crises. These meetings will serve as a forum for information-sharing and consultations on cross-sectoral issues. A small team of dedicated staff will support these GCRP meetings and processes.

8. **This paper identifies four priority areas for strengthening the WBG’s crisis risk management capabilities:** (a) adapting existing, and developing new, risk-monitoring tools to better capture multidimensional and compound risks, including cross-border spillovers (Chapter 2); (b) further shifting the focus of in-country and regional programming from response to prevention and preparedness, including by incorporating lessons of experience (Chapter 3);

---

3 As was done to facilitate the Bank Group’s overall corporate response to the Africa-Yemen famine emergency in 2017 and to respond to the Ebola outbreak in the Democratic Republic of Congo (DRC) in May 2018.
reinforcing the Bank’s crisis risk management financial products, instruments, mechanisms, and innovations, and mobilizing private financing and solutions with a focus on strengthening prevention and preparedness (Chapter 4); and (d) enhancing and sustaining implementation effectiveness, including giving close attention to the timeliness and quality of interventions, and strengthening partnerships with humanitarian and other actors for greater impact in crisis situations (Chapter 5).

9. The GCRP will add value in these four priority areas by enhancing synergies, strengthening capacities, and promoting new activities where gaps have been identified. In the area of risk identification, the GCRP will connect relevant centers of expertise in the Bank Group to advance a multisectoral approach to modeling and monitoring crisis risks. This analysis will feed into dedicated GCRP meetings and will help to operationalize the shift towards preparedness and prevention. In the area of strategic programming, the GCRP will improve CMU and client access to expertise and knowledge on crisis risk management by leveraging the Bank Group’s community of experts across sectors and Regions, including by testing integrated risk analysis to inform Systematic Country Diagnoses (SCDs), Country Partnership Frameworks (CPFs), and Country Engagement Notes (CENs) in selected countries. In the area of financing, the GCRP will provide a platform for consultations, knowledge-sharing, and analytics, informing improvements in the Bank’s crisis-related financing tools. As needed, the GCRP can also discuss proposed new initiatives to ensure coherence with existing mechanisms and instruments. To enhance operational effectiveness, the GCRP will bring relevant units together to explore practical solutions to strengthen the delivery of Bank operations in challenging environments, such as by facilitating partnerships with non-state actors or by codifying knowledge—for example, on the use of ICT for supervision and monitoring. (Table ES-1 summarizes a selection of ongoing and new workstreams by units comprising this network.)

10. Ongoing work on the prevention of food security risks illustrates the GCRP’s integrated, cross-sectoral, and collaborative approach to prevention and preparedness. Guided by the GCRP framework, the Famine Early Action Mechanism (FAM) is an initiative that aims to prevent the perpetual recurrence of famines. Work being carried out in close partnership with the UN and development, humanitarian, and private sector partners focuses on predictive analytics, prearranged financing, and effective implementation to mitigate risks before they turn into crises. The FAM has prioritized enhancing the international community’s ability to predict highly complex and multidimensional famine risks by building on existing systems and utilizing new variables, data sources, and modeling techniques. Efforts also have been focused on identifying ways to link and layer financial support (irrespective of the source) to famine early warning signs, increase the focus on building resilience, and enhance coordination among key partners. The FAM provides an opportunity to implement core tenets of the GCRP, and some of its innovations have the potential of serving as a launching point for addressing other systemic risks under the GCRP’s scope.

11. The success of the GCRP will depend on its ability to leverage the World Bank Group’s expertise, products, and services, and pioneer new solutions to provide comprehensive crisis risk management support to clients. The Bank is already playing a lead role on this agenda, and the GCRP will bolster its ability to pursue a more ambitious pivot to prevention. Success will stem, first, from stronger synergies and coherence as well as dedicated
internal arrangements for crisis risk management across the institution. Second, it will stem from the rollout of existing and new solutions and tools in the four priority areas identified in this paper—risk monitoring, strategic programming, financing, and operational effectiveness. A set of indicative performance metrics for the GCRP’s first three years is set out in Table ES-1. It is important to stress that the Platform’s framework will evolve as its operationalization continues and that the proposed metrics below will be adapted through “learning-by-doing” as implementation moves forward.

**Table ES-1. GCRP Objectives and Performance Metrics**

<table>
<thead>
<tr>
<th>GCRP focus area</th>
<th>GCRP objective</th>
<th>Indicative performance metrics (by end of FY21)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integrated crisis risk monitoring, analysis, and knowledge</strong></td>
<td>Identify countries facing multidimensional and compound risks to inform investments in preparedness and prevention, and strengthen tools for integrated risk and crisis monitoring at country level.</td>
<td>- Cross-country risk-monitoring mechanism to identify and model multidimensional risks, with initial focus on natural hazards, economic/financial risks, pandemic risk, conflict, and food security, developed and operational&lt;sup&gt;a&lt;/sup&gt; - Country-based dynamic risk or crisis monitoring dashboard/digital platform piloted in five countries</td>
</tr>
<tr>
<td><strong>Strategic programming to mitigate crisis risks</strong></td>
<td>Support use of integrated crisis risk management to promote prevention and preparedness in CPFs and strategic programming in selected high-risk countries, including promotion of cross-border crisis risk management programming as appropriate.</td>
<td>- Multidimensional crisis risk assessments inform CPFs in five countries - Improved CMU and client access to expertise and knowledge on crisis risk management through learning events and a virtual community of experts across sectors and regions - Creation of a repository of analytical work and recent experience in crisis risk management that is easily accessible to all WBG staff</td>
</tr>
<tr>
<td><strong>Crisis risk management financing</strong></td>
<td>Facilitate improvements in the Bank’s crisis-related financing mechanisms and instruments, and explore additional financing solutions</td>
<td>- Increase in number of CERCs/Cat DDOs and/or other risk transfer and pooling mechanisms in high-risk countries - Preparation of a Board paper that explores options to trigger upstream financing to stem famine risks before they reach the crisis level - Country-level crisis risk financing assessment/stock-taking conducted in 5 high-risk countries</td>
</tr>
<tr>
<td><strong>Crisis risk management operational effectiveness and support</strong></td>
<td>Enhance the delivery of Bank operations in crisis contexts and insecure environments and strengthen partnerships, including with humanitarian actors, for greater impact in crisis situations.</td>
<td>- Tools and guidance on “fit-for-purpose” approaches for operating in insecure environments developed (e.g., third-party monitoring, innovative use of ICT) - Joint UN-WB Humanitarian-Development-Peace Nexus Initiative updated and expanded</td>
</tr>
<tr>
<td><strong>Institutional arrangements for crisis risk management</strong></td>
<td>Strengthen internal arrangements for supporting GCRP operationalization and ensuring Senior Management attention on crisis risk management, in particular early preventative action.</td>
<td>- Regular GCRP meetings at CEO and director levels take place - Dedicated GCRP support team established</td>
</tr>
</tbody>
</table>

<sup>a</sup> Existing and new crisis risk monitoring methods and models will form the basis of this work.
A. Crises as a Growing and Urgent Development Challenge

1. All countries and communities face risks that arise from a variety of natural and human-generated hazards, cause loss of lives and livelihoods, damage infrastructure and institutions, and have other negative consequences for individuals and societies. Risk is commonly understood as the potential for a defined adverse event or result to occur. It is typically described by distinguishing two elements: the probability that the risk will occur, and its severity (or magnitude) when it does. Risk is also characterized by uncertainty, particularly regarding the probability and potential impacts of rare events, and the probability of adverse shocks in areas with sparse historical data. When risk is realized in the form of an adverse event, it is commonly described as a negative shock: a change in the world with potentially damaging consequences. When the impact of a shock is severe or resources or capacity to respond to its consequences are limited, a shock can become a crisis—that is, “a serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts.” (A taxonomy of crisis risks is provided in Annex A, and recent trends in these risks are summarized in Annex B.)

2. The risk of crisis is widely recognized as a core development challenge. The World Development Report 2014 argued that risk and development are inextricably linked. A large share of the global population lives near the poverty line and is vulnerable to falling into poverty when negative shocks occur. The Sendai Framework for Disaster Risk Reduction notes that effective institutions and risk governance systems are needed to mitigate the potential impact of disasters and ensure that development gains are sustained. This argument was echoed in outcomes from the 2016 World Humanitarian Summit, which called for more coherent efforts to mitigate all forms of risk through improved focus on prevention, preparedness, and more effective reconstruction and recovery. The World Development Report 2017 found that most of the relatively faster growth of higher-income countries between 1950 and 2011 resulted from shrinking less, and less often, from crises or wars than lower-income countries.

3. Distinct types of risks often overlap and interconnect, amplifying the frequency and severity of natural and human-caused disasters (Figure 1). Developing countries face an increasingly complex risk landscape, marked by interconnected hazards and threats that create the potential for vastly more damaging crises. This property has been described as compound or multidimensional risk. Natural hazards like floods and extreme weather events destroy crop fields, livestock assets, and water and sanitation infrastructure, sparking disease and pest outbreaks. Armed conflict drives refugee flows, exposing vulnerable populations to food insecurity and malnutrition, and financial crises stoke mass protests and civil unrest that can stress the social fabric of a society and create broader instability and violence.

---

1 UNISDR, 2009.
4 Compound (or multidimensional) risks can be defined as risks that are non-independent: the probability and/or severity of one risk is influenced by the probability and/or severity of another (or multiple other) risks. When these risks interact, they produce a consequence greater than the sum of the individual risks. See also Hyslop and Hammond 2017.
4. **While all countries face compound risks, poor countries and communities are particularly exposed, and especially vulnerable.** The Global Humanitarian Assistance Report (July 2015) estimates that 93 percent of people living in extreme poverty are in countries that are politically fragile, environmentally vulnerable, or both. A recent study found that between 2004 and 2014, 58 percent of disaster deaths were in the top 30 fragile states. This points to a clear role for the international community in helping at-risk countries to address their vulnerabilities. It also illustrates the direct link between the provision of such assistance and the ability of the World Bank Group (WBG) to meet its corporate goal of ending extreme poverty.

5. **Compound risks can initiate chains of shocks.** A single adverse shock can initiate a chain of subsequent shocks that interlock and reinforce each other. In Haiti, for example, repeated political crises, violence, and natural disasters stressed and eroded water and sanitation infrastructure and degraded public health surveillance and response systems. Under these conditions, the reintroduction of cholera led to sustained and severe outbreaks. Some have argued that the 2007-2010 drought in Syria—the worst in its history—helped contribute to the war that continues to ravage the country today (though this view remains heavily contested). What is not in dispute is that the effects of the drought in Syria were exacerbated by decades of poor water

---

5 Peters and Budimir 2016.
6 Whereas natural disasters can often trigger second- and even third-order crises, they can also, in some cases, have positive effects. For example, it has been argued that the 2004 tsunami in Aceh helped kick-start negotiations on a durable peace accord that ended a nearly 30-year conflict between an insurgency and the central government.
7 Kelly et al. 2015
governance, such as over-irrigation and over-pumping of groundwater aquifers, again illustrating how risk in one domain – water governance – can amplify the impact of crisis in another, drought. Many forms of compound risk are characterized by uncertainty that arises from limited knowledge of how sets of risks are connected, lack of consensus about the appropriate tools and methodologies to model the interconnection between risk types, and lack of robust estimates regarding the probability that a shock in one domain will lead to a shock in another. This high level of uncertainty is an important barrier to effective planning, preparedness, and risk mitigation.

6. **Fragility increases vulnerability to various crisis risks.** By definition, fragility is closely connected to high risks of violence and both societal and political instability. However, fragile countries or subnational areas are also more vulnerable to a wide variety of natural and human-driven risks, primarily because their limited institutional capacity and resources, weak policies, and societal divisions reduce their capacity to mitigate or cope with adverse shocks. Their greater vulnerability can amplify the ultimate impact of an adverse shock on people, infrastructure, and institutions. In contrast, well-functioning and well-resourced institutions and sound policies can mitigate the impact of even severe shocks and interrupt risk chains. For example, functioning water infrastructure and sustainable land management can buffer the impact of drought on food systems, limiting potential food price swings and famine risk. Effective disease surveillance and immunization systems can limit the potential for outbreaks of preventable diseases following natural catastrophes.

7. **Crisis risks can have an important effect on the ability of Bank-financed operations to achieve their intended development outcomes.** Therefore, the understanding of country risks (sometimes labelled contextual risks) is closely related to specific risk in operations. Identifying and managing risks in operations is part of the Bank Group’s broader enterprise risk domain, as these risks are tied to the organization’s objectives. Figure 2 illustrates the interconnected areas of risk in terms of country risk, risk in operations, and enterprise risk. In October 2014, the WBG launched a new Framework for the Management of Risk in Operations to focus attention and resources on the effective delivery of high-risk operations. In 2016 Management updated the Board on the implementation of the framework.

---

8 In the recent debate on fragility, there has been a shift from purely institutionally-focused conceptualizations of fragility to more risk-based approaches (OECD 2016). Fragility can be characterized by a combination of (a) weak institutional capacity at the central or subnational levels to constructively mediate relations between societal groups and society and the state, and (b) the presence of other pressures or stresses that heighten the risk of political instability and violent conflict. The combination of weak institutions and significant internal or external pressures creates fragility that increases the risk of conflict.

9 World Bank 2016a.
B. The Global Crisis Risk Platform

8. Given the strong link between crisis risks and development outcomes, in recent years the Bank Group has made significant financial commitments to crisis-related programming. This was not limited to the period of the global financial crisis, when the Bank significantly expanded lending to help meet the urgent and extraordinary needs of a wide range of client countries. Indeed, in FY12-17 – after the worst effects of the financial crisis had passed – crisis-related lending still made up between one-fifth and one-third of total World Bank commitments, and a similar share of World Bank projects had crisis-related components (Figure 3). During this period, crisis-related lending ranged from a low of US$8.4 billion in 2013 to a high of US$12.2 billion in 2015. Importantly, a sizable share – more than half in all but one year – of this lending has gone to middle-income countries, underscoring that crisis management is not a challenge for low-income countries only. Investment project financing (IPF) and development policy financing have been the Bank’s primary lending instruments for crisis response in recent years; Program-for-Results (PforR) lending has played a lesser role, reaching a peak of some US$300 million in FY14.

9. The WBG established the Global Crisis Response Platform (GCRP) in September 2016 to improve its crisis management capacity in an increasingly complex global risk landscape. The platform was created to enhance coordination across the WBG to better support developing countries in managing the full spectrum of crisis risks they face and to help strengthen their crisis management capacities. The taxonomy of crisis risks set out in Annex A serves as a point of reference for the platform by distinguishing risks across specific domains, while Annex B illustrates how the nature of crisis risks, and their interaction, has changed over time to become increasingly complex. The platform emphasizes that most of the Bank’s support for crisis prevention, preparedness, and response will continue to come through its ongoing programmatic engagement. It emphasizes that the responsibility for identifying and managing such risks resides with those closest to them—the Regions and country management units (CMUs), and the Global
Practices (GPs) and Global Themes (GTs) that support them. The role of the GCRP is to strengthen links among various units working on crisis management to ensure that their interventions complement one another and fill identified gaps, including in the areas of integrated monitoring, analysis, and knowledge.

10. The GCRP played an important role in facilitating the Bank Group’s overall corporate response to the Africa-Yemen famine emergency in 2017 and was triggered to respond to the Ebola outbreak in the Democratic Republic of Congo (DRC) in May 2018. In early 2017, when famine risks began to intensify in Northeastern Nigeria, Somalia, South Sudan, and Yemen, Senior Management convened regular meetings among country teams in the Africa and MNA Regions, as well as relevant GPs, IFC, and key external partners such as the UN and international nongovernmental organizations (INGOs). These sessions covered issues such as exceptional arrangements for funding and delivery, policy coordination with other partners, and options for overcoming constraints to timely interventions. Most recently, on May 21, 2018, the GCRP was triggered by the World Bank CEO, who convened key internal units to discuss proactive Bank efforts to help prevent the escalation of the recent Ebola outbreak in the DRC as well as spillovers to DRC’s immediate neighbors.

Figure 3. Estimates of the World Bank’s Crisis Portfolio, 2012-17

Note: To produce this analysis, the team gathered project metadata, such as project ID, title, GP, status, FY, Board approval date, and source (IDA, IBRD) and amount of funds for FY12-17, and then gathered the text of key project components, including results frameworks, abstracts, and Project Development Objectives. A taxonomy of crisis-related keywords, filters, and pivot tables was used to identify, summarize, and visualize relevant projects and their components.
11. **Building on the platform’s contribution to the Bank’s famine response, there is broad recognition that the GCRP should play a stronger role in promoting crisis prevention and preparedness, and not just response.** Consultations across the WBG have made clear that there is a need to better integrate and leverage the full range of Bank Group crisis-related analytics, financial tools, crisis capacities and programmatic engagement. This might have facilitated an earlier detection and mitigation of the famine risk in some countries before they spiraled into the current crisis. This feedback is consistent with the findings and recommendations of the Independent Evaluation Group (IEG).10

12. **It is this clear demand from shareholders, Senior Management, and staff across the WBG that animates the current effort to further operationalize the GCRP.** Building on the framework set out in the 2016 GCRP Board paper,11 as well as lessons from prior crises and the ongoing famine and Ebola episodes, this paper charts a more impactful role for the platform in the Bank’s crisis management efforts. It proposes to help catalyze systematic prevention and preparedness initiatives in the Bank’s crisis management approach. Indicative of this more preventive orientation is a change in the name of the platform itself—from the Global Crisis Response Platform to the Global Crisis Risk Platform.

13. **Prevention and preparedness are among the most cost-effective and beneficial investments the international community can make** (Figure 4).12 When a country is affected by conflict, its negative impact on economic development has a lasting impact on future growth. Recent estimates are that the expected returns on conflict prevention are almost always positive. Even under the most conservative and pessimistic assumptions, in which prevention is characterized as rarely effective and very expensive, tremendous savings can still result from such investments.13

---

**Figure 4. The Benefits of Risk Management Often Outweigh the Costs**

---

11 World Bank 2016b.
12 Hallegatte 2012.
14. **The GCRP is a network of Bank units that will leverage the Bank’s expertise, products, and services and pioneer new solutions to provide comprehensive crisis risk management support to clients.** It will operate in alignment with the Accountability and Decision-Making framework (ADM), under which the responsibility for client engagement—including monitoring, assessment, programming, implementation, and monitoring and evaluation—rests with RVPs and CMUs, which have deep knowledge of the country and sectoral contexts. Increasingly, however, crisis risks are cross-border, cross-sectoral, and interconnected in both origin and impact. So, too, must be the solutions to address them.

15. **Four foundational pillars have been identified to strengthen the WBG’s crisis risk management capabilities and to further operationalize the GCRP:** (a) risk monitoring, analysis, and knowledge; (b) strategic programming; (c) crisis risk management financing; and (d) effectiveness and support in implementation. These pillars will be underpinned by strong internal and external partnerships and dedicated institutional arrangements to advance the GCRP’s objectives. One of the key roles of the proposed institutional arrangements will be to help support and monitor the Bank-wide implementation of this framework. As the work of the GCRP continues, these priorities will be reviewed and adjusted to reflect emerging lessons and experience.

---

14 These pillars draw on the experience of using the GCRP as the forum for addressing ongoing famine risks and have been further validated through additional background analysis and extensive internal and external consultations. All Regions and GPs, as well as OPCS, DFI, TRE, GSD, CRO, ISG, IEG, INT, IFC, MIGA, BPS, and other corporate units, have helped identify good practices, key challenges, and remaining gaps in the Bank’s approach to crisis risk management.
CHAPTER II. RISK AND CRISIS MONITORING, ANALYSIS, AND KNOWLEDGE

16. The Bank has developed a range of monitoring and diagnostic tools and processes to understand contextual risks and crises and assess their impacts at the global, regional, and country levels. Table 1 provides an overview of the current institutional toolbox, and Annex C provides further details. These tools complement the Bank Group’s mechanisms and tools for managing corporate risk (see Annex D for overview) and monitoring risk in operations—for example, identifying project-level risks through the Systematic Operations Risk-rating Tool (SORT) (Box 1 explains the role of SORT). The Bank has also developed a rich pool of knowledge and analytical work—including at the global and country levels—on the evolving nature of risks and crises and on their interrelations, as well as a wealth of country-specific analytics.

17. The GCRP will add value by strengthening connections between relevant Bank units working on risk analysis and monitoring. It will also advance a multisectoral approach to modeling and monitoring crisis risks both at the country level and across countries. This approach will help to operationalize the shift toward preparedness and prevention, and will feed into country engagement and GCRP processes. The GCRP will also facilitate access to and dissemination of crisis-risk-related knowledge and analytical work.

Table 1. Overview of the Bank Group’s Risk Assessment and Diagnostic Toolkit

<table>
<thead>
<tr>
<th>Level</th>
<th>Ex-ante</th>
<th>In-crisis</th>
<th>Ex-post</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global / cross-country</td>
<td>• Cross-country risk assessments, e.g., Macro-Financial Risk Index, Food Price Risk</td>
<td>• Geospatial mapping of crisis situations, e.g., 2017 famine crisis</td>
<td>• Global crisis impact assessments, e.g., the WBG response to the global economic crisis</td>
</tr>
<tr>
<td>Country</td>
<td>• Country-level context or risk assessments, e.g., Risk and Resilience Assessments, Financial Sector Assessments</td>
<td>• Innovative data collection to understand context and crisis dynamics, e.g., high-frequency surveys</td>
<td>• Damage and Needs Assessments</td>
</tr>
<tr>
<td></td>
<td>• Risk modeling to estimate impact of specific hazards</td>
<td>• Dynamic risk-monitoring systems</td>
<td>• Recovery and Peacebuilding Assessments</td>
</tr>
<tr>
<td>Program/project</td>
<td>• SORT is the central WBG mechanism for identifying and addressing risks at project and program levels, as reflected in Program Documents and CPFs. SORT is used for monitoring and addressing risks over the project and country engagement cycles.</td>
<td></td>
<td>• Impact assessments, e.g., household surveys</td>
</tr>
</tbody>
</table>

This chapter focuses on the Bank’s instruments for country risk management as opposed to enterprise risk management—that is, risks that emanate from the context and pose a threat to developing countries and the international community, as opposed to risks to the WBG that may affect project implementation, credit ratings, reputation, staff security, and so on. Specific risk in operations—that is, risks to the achievement of the Bank’s program objectives—can overlap with country risks; for example, high levels of insecurity represent a risk to the client but may also affect the delivery of a World Bank financed project.

18
Box 1. Monitoring Risk in WBG Operations

For monitoring risk in WBG operations, the Corporate Risk Advisory Group is the primary internal mechanism within the Bank; it convenes the GPs, Regions, CRO, ECR, INT, and OPCS. Each quarter, the Group reviews the risk categorization of the highest-risk projects in the Bank’s portfolio, helping to arbitrate and standardize risk ratings. It also reviews projects escalated for Senior Management attention because of their fiduciary, safeguard, or reputational risk. SORT seeks to enable informed risk-taking and helps to better manage the Bank’s portfolio by providing real-time information for proactive risk management. SORT ratings of fiduciary risk are derived from input provided by fiduciary staff—e.g., the outcomes of procurement and financial management risk assessments.

A. Strengthening Cross-country Risk Assessments

18. The Bank Group is improving its risk assessment and diagnostic tools to recognize a changing risk landscape. This effort includes upgrading sector assessments and conducting more integrated analysis of risks. Table 2 summarizes some of the steps being taken to strengthen sector-specific country risk assessments and monitoring systems. These steps complement the WBG’s existing and well-established cross-country assessments, as in the area of economic and financial risks (Annex C provides an overview of existing mechanisms). A key priority of the GCRP will be to bring together and strengthen the synergies in risk information collected by Regions, GPs, and relevant corporate units and to agree on joint protocols for escalating information to WBG decision-makers.

Table 2. Ongoing and Planned Initiatives to Strengthen Sectoral Risk Monitoring

<table>
<thead>
<tr>
<th>Domain</th>
<th>Risks / threats monitored</th>
<th>Priorities for strengthening cross-country risk monitoring systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic/financial</td>
<td>Global macro-financial stability</td>
<td>Monitoring economic and financial risks is core to the WBG’s mandate, and mechanisms to do so are strongly embedded in the Bank’s internal architecture. In 2016, EFI introduced the Macro-Financial Review, which provides a regular overview of global macro-financial risks based on qualitative and quantitative assessments and includes a Corporate Vulnerability Index that monitors the financial conditions of the nonfinancial corporate sector.</td>
</tr>
<tr>
<td></td>
<td>Corporate financial stability</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>Drought</td>
<td>The Food Price Crisis Observatory monitors food prices against “crisis” thresholds. The Bank continues to support the Agricultural Market Information System, an interagency platform monitoring the market conditions of key food crops to enhance food market transparency and policy response, help prevent unexpected food price hikes, and strengthen global food security. The Agriculture GP (with funding from the State and Peacebuilding Fund) has recently established an Agriculture Intelligence Observatory to monitor weather, particularly abnormal seasonal rainfall or temperature, extreme events such as drought and floods, and crop pest attacks. The monitoring is taking place through state-of-the-art high-resolution agricultural meteorological data that is generated and updated 4 times daily across 1.5 million virtual weather stations globally.</td>
</tr>
<tr>
<td></td>
<td>Food insecurity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Famine</td>
<td></td>
</tr>
<tr>
<td>Conflict and fragility</td>
<td>Violence</td>
<td>The FCV Group is collaborating with DEC to develop a predictive quantitative model for identifying countries that are at risk of conflict and violence. The model is fitted to historical data and then used to generate predictions of conflict based on the most recently available data for all countries. This quantitative approach will be complemented by qualitative analysis drawing on expertise within and outside the Bank. For example, GSURR’s deep</td>
</tr>
</tbody>
</table>
operational engagement in FCV situations offers a rich source of intelligence and analytical capacity on political, security, and societal risks.

| Health | Pandemics Emerging disease outbreaks | As part of the Pandemic Emergency Financing Facility, HNP GP regularly monitors and produces biweekly reports on disease outbreaks and is also collaborating with global initiatives such as the Global Pandemic Monitoring Board and the Global Health Security Index to help assess countries’ vulnerability to disease outbreaks. Further, HNP is examining the use of tablets for data collection and analysis or the registration of beneficiaries, as well as the potential of satellites and social media. |
| Natural disasters | Various natural hazards (flood, earthquake, landslide, tsunami, volcano, cyclone, extreme heat, wildfire) | The Global Facility for Disaster Reduction and Recovery (GFDRR) is leading an effort to expand the ThinkHazard! Platform to cover wildfire, urban flood, and extreme heat and to provide French and Spanish versions and enhanced overall datasets and visualization. The OpenDRI (Open Data for Resilience Initiative) is being expanded as a global open data movement on the challenges of reducing vulnerability to natural hazards and the impacts of climate change. GSURR also produces a daily/weekly report on natural disasters and monitors potential impacts of imminent hazards at CMU and national levels, including for cyclical phenomenon like El Niño and La Niña. |

19. **The WBG will invest in its capacity to analyze, model, and monitor multidimensional risks across countries.** A multisectoral risk assessment will bring together data across various types of hazards to help aggregate different crisis risks. More ambitiously, the WBG is seeking to integrate and, where possible, model the interaction of different risks. An integrated risk modeling and monitoring platform could house a linked suite of catastrophe models designed to provide quantitative estimates of compound risks and their potential impacts. This initiative is addressing deep uncertainty surrounding compound risk by convening experts across diverse risk types to identify and developed shared models and methods to characterize the connections between risks. Consultations also identified the need to ensure easier access to, and visualization of, critical data sources across economic, political, societal, and environmental risks. Further consultations will determine the most effective ways to present this information, for example, as a digital dashboard or data portal.

20. **The GCRP will explore partnerships with external stakeholders to develop an integrated approach to crisis risk monitoring and modeling.** Given the conceptual and technological complexity and high costs of integrating and modeling various crisis risks, there are considerable potential benefits in pooling resources and leveraging expertise from external actors through such an initiative. Close partnerships with the United Nations, the EU, philanthropic foundations, INGOs, the private sector, academic institutions, and other MDBs and development partners will be essential. Building on consultations with external partners during the preparation of this paper and on ongoing initiatives, the WBG will work with interested actors to develop a proposal for better integration of crisis risk monitoring and modeling tools, and convene a high-level expert group with representatives from each participating institution to help move the initiative forward. Beyond gathering, using, and sharing data to deal with crises, the Bank will

---

19 At the 2016 World Humanitarian Summit, a special session on risk and vulnerability identified the need for a partnership on identifying and managing global risks, and member states “committed to improve practices around data collection, analysis and early warning.” Similar interest was expressed during the High-Level Event on Famine and Fragility during the 2017 Spring Meetings of the WBG and IMF.

20 Examples include ongoing UNDP consultations on the feasibility of establishing a platform for “Global Risk-Informed Development,” as well as the EU’s Joint Research Centre.
consult with partners on best practices to ensure data integrity and protect the systems through which data flow.

B. Strengthening Country- and Region-level Risk Assessment Tools and Dynamic Monitoring Systems

21. The Bank’s cross-country assessments are complemented by a range of diagnostic, assessment, and planning tools used at the subnational, country, or regional level (see Annex C for details). The Bank uses various tools to understand contextual risks across sectors, ranging from assessments of debt sustainability, financial sector, and fiscal stability, to drivers of fragility and conflict, and preparedness in facing cybercrimes. The Bank also evaluates the potential or real impact of shocks on welfare and has deployed a range of innovative data-collection methods in crisis settings. A number of assessments, such as Recovery and Peacebuilding Assessments and Post-Disaster Needs Assessments, are carried out in collaboration with partners and clients. A priority of such efforts is to strengthen countries’ own systems and capacities for risk monitoring and early warning (see also Chapter III, section B).

22. The Bank will undertake a review of how diagnostic tools are used and how they complement each other in high-risk and fragile settings, and will provide practical guidance on how best to use them. This work will draw on the stocktaking exercise performed for this paper and will identify opportunities to streamline and leverage the various monitoring tools and processes. A risk monitoring working group convened by the GCRP risk monitoring will oversee the review, in close consultation with other stakeholders.

23. To operationalize the call for more integrated risk assessments, the Bank will test a multidimensional risk assessment in a targeted set of priority countries and cross-border/regional contexts. This activity will provide an opportunity to explore how to better link and leverage information from various sources to inform strategies and policy dialogue in countries facing multiple risks. It will build on lessons from assessments undertaken by the Bank and other partners (e.g., UN Sahel, OECD resilience assessments) in similar contexts. Lessons from this process will inform possible work to refine the Bank’s diagnostic toolkit. Early consultations have identified a small number of potential countries where such an approach would be relevant and where there is country interest. The increasingly cross-border nature of crisis risks underscores the need to help Regions identify and address risks that manifest at the regional level. For example, the growth of cross-border banking in regions such as Africa has increased the spill-over effects of financial crises to other countries, strengthening the need for regional financial assessments and crisis management frameworks. Identifying and facilitating action to address risks that transcend national borders represents a key area of focus for the GCRP.

24. There is growing demand for more dynamic monitoring systems in fragile, high-risk, and crisis environments where the fast-changing context requires ongoing and more granular quantitative and qualitative analysis. This is particularly true in humanitarian crisis situations and countries affected by high levels of conflict and violence. The South Sudan Geospatial Risk Monitor is an example of a country-based dynamic monitoring system that responds to the specific demand of a CMU, and the UN-World Bank partnership in Somalia offers an example of a successful information-pooling partnership that could be implemented in other
settings. Going forward, the Bank will explore opportunities for establishing and strengthening dynamic risk and/or crisis monitoring systems in targeted countries, with a focus on a small number of situations of fragility, conflict, and violence (FCV). This effort will aim to strengthen the ability of Bank country teams to identify and monitor how key risk trends are evolving and affecting the Bank’s portfolio.

C. Strengthening In-crisis Data Collection, Analysis, and Sharing

25. The GCRP will establish a joint digital portal for crisis-related micro-data sharing and analysis. Like the Bank’s existing Data Development Hub, the digital portal will include a data repository and a geographic information system (GIS). It will build on efforts launched in June 2017, under the leadership of the FCV Group and Poverty GP, to further develop the Bank’s in-crisis monitoring and analytic capabilities. When establishing the portal, the GCRP will leverage the expertise of internal and external partners on data architecture, contents, and analytical models. Wherever feasible, the portal will be connected to existing data-sharing initiatives, such as UN-OCHA’s Humanitarian Data Exchange. It will also build on the lessons learned from similar cross-sectoral and interagency data-pooling initiatives such as those leveraged for the 2014 Ebola response, and on regional and country-based risk monitoring systems.

26. The Bank is committed to improving data-sharing across the humanitarian-development-peace continuum. Collecting, analyzing, and sharing data within the Bank and cooperating with external partners is a critical component of crisis risk management. In the Roadmap adopted at the High-Level Event on Famine and Fragility during the 2017 WBG-IMF Spring Meetings, the WBG and its partners committed to improving humanitarian–development engagement, including through effective data-sharing and joint analysis. The World Bank has been working closely with key famine data partners to build on efforts to identify emerging famine risks, including the Famine Early Warning Systems Network and the Integrated Food Security Phase Classification system. This work draws on ongoing research being led by the Bank’s newly formed Agricultural Intelligence Observatory and is identifying potential applications of big data and artificial intelligence to help fill current analytical gaps. Another example is the new UNHCR-WB joint data center initiative, which aims to build on the comparative advantages of both institutions to enhance the availability and quality of data on refugees and internally displaced persons at both the global and country levels. The GCRP will help establish the necessary frameworks and protocols with external partners to enhance the exchange of crisis-related data and improve joint analytical capacity.

---

21 This initiative has begun to support rapid data collection in emergency situations—for example, in Somalia, South Sudan, Nigeria, and Yemen, which are experiencing famine/famine risks—and to help strengthen micro-data collection systems.

22 These protocols will incorporate global good practice standards related to data and information security, especially with respect to both personal data or personally identifiable information (PII) about individuals (each a “data subject”) and the security of the systems and networks over which such data flow and in which they are stored and used. These protocols will have a preference for anonymized data. Where data about individuals or PII are implicated, these protocols will include “privacy by design” components and will ensure adequate measures – consistent with, among other things, global good practice and local law – for obtaining consent from affected data subjects, limiting the use of personal or PII data of data subjects, offering data subjects the opportunity to correct erroneous data about them, and ensuring transparency about how data are gathered and with whom they are shared and why.
D. Investing in Crisis Risk Analytical Work and Knowledge Management

27. The Bank’s new Knowledge Management Action Plan seeks to strengthen the institution’s knowledge management and support country teams that are developing new operations with easy access to clear guidance, including crisis management expertise. This stream of work is intended to provide staff with timely access to a pre-designed “package” of operationally relevant knowledge, including relevant lessons and experiences, such as those based on quality enhancement reviews. One of the goals of this new approach is to enable operational teams to learn not only from past successes but also from previous miscalculations and failures. Given the protracted and repeated nature of crisis, this new stream of work could prove particularly supportive in prevention and crisis management.

28. Building on its previous knowledge work, the Bank will continue efforts to deepen the understanding of specific crisis risks and trends and their interrelation. Efforts will focus on areas where there is increased demand for operationally relevant knowledge. For example, in the area of fragility and conflict, the Bank will undertake new analytical work on violent extremism and radicalization. The Bank is also developing several sectoral notes to translate findings from the recently launched UN-WB flagship report “Pathways to Peace” into practical recommendations that can be used in operational engagements and country strategies. In the area of disaster risk management (DRM), GFDRR is investigating the potential benefits of “building back better” after disasters, taking into account how asset losses affect income and consumption through the recovery and reconstruction phases, and considering the poverty profile of those affected.23 Better integrating these various streams of crisis risk analytics will serve as a core function and central priority of the GCRP.

29. The Bank will explore external stakeholders’ operational and financial interest in undertaking new research on global crisis risks from a development perspective and on ways current trends will shape the future global risk landscape. A range of think-tanks and policy platforms provide regular analyses of global risks—for example, with the aim of understanding the threats of greatest concern to the global business community, or taking the perspective of OECD countries. Leveraging the expertise and work of these partners and combining it with the Bank’s knowledge of development could advance a shared understanding of the most important trends and threats related to the Sustainable Development Goals and poverty reduction goals.

---

23 GFDRR, forthcoming.
30. **The Bank Group’s support for better crisis risk management will continue to be delivered mainly through country programs.** The Systematic Country Diagnostic (SCD), one of the WBG’s core country-based diagnostics, seeks to identify binding constraints and priority areas to help countries achieve the twin goals and to inform the Country Partnership Framework (CPF). Beyond programmatic priorities, the CPF contains a discussion of the main risks that could affect the achievement of its objectives and lays out mitigation strategies for addressing these risks. Performance and Learning Reviews update and assess the progress of CPFs, and can result in programmatic adjustments to address crisis risks that may have materialized and/or changed in nature or probability since the adoption of the CPF. In fragile and volatile contexts, Bank teams use Country Engagement Notes (CENs) to conduct nimble, highly adaptable programming.²⁴

31. **The GCRP will add value by helping to increase the focus of country and regional programming on crisis prevention and preparedness.** It will improve CMU and client access to expertise, knowledge, and lessons on crisis risk management across sectors and Regions, including by testing the use of integrated risk analysis to inform SCDs, CPFs, and CENs in selected countries. Another area of potential support includes helping client countries strengthen their own institutional arrangements to enhance crisis management capacity at the domestic level, drawing on lessons and recommendations from the WDR 2014 on Risk and Opportunity. Finally, as a network with a global perspective, the GCRP is well placed to help Regions, CMUs, and GPs bring greater focus to cross-border and cross-regional crisis risk dynamics, and to the operational interventions needed to address them.

### A. Mainstreaming Crisis Risk into Country Engagement Products

32. **Taking key crisis risks better into account when developing and implementing country programs is a critical priority for bolstering the crisis management capacity of Bank teams and the countries they serve.** CMUs have the lead role in managing the policy and programmatic dialogue with client countries, while GPs lead the design of risk-informed projects to help address countries’ main crisis vulnerabilities. However, leveraging ongoing dialogue among CMUs, Regions, GPs, and other WBG and external entities engaged in crisis risk analytics and monitoring could help to more robustly embed risk analysis and mitigation measures in SCDs, CPFs, and programming. As a platform with a perspective that spans countries, sectors, and institutions, the GCRP is well placed to perform this function by tying together various streams of work, analysis, and dialogue to help CMUs and GPs translate them into crisis-informed country strategies and programming.

33. **A recent IEG evaluation²⁵ of a sample of SCDs found that they addressed fiscal, environmental, and social sustainability risks and that threats to social and political stability**

---

²⁴ CENs are typically used to guide WBG programming in countries facing a conflict or political crisis, or in other situations in which the Bank lacks the knowledge or recent experience to formulate a medium-term program. The use of CENs is reserved for extreme cases, and the existence of conflict or fragility alone is not reason enough to choose a CEN. Indeed, the experience of Afghanistan shows that programming can be prioritized through a CPF once there is the possibility of policy dialogue and medium-term programming in key areas.

²⁵ Independent Evaluation Group 2017b. This early-stage assessment covered the first 22 SCDs and CPFs rolled out under the new Country Engagement Model adopted in FY14.
were particularly well analyzed when they drew on a fragility assessment. It also found that the crisis-related risks identified in these SCDs effectively informed the programmatic agenda articulated in the corresponding CPFs. The evaluation cautioned, however, that not all SCDs provided a sufficiently robust analysis and identification of relevant social or political risks. IEG also concluded that while most CPFs are informed substantially by SCDs and related consultation processes, there is scope for enhancing and making more explicit the alignment between CPFs and the strategic priorities identified by SCDs. This finding is consistent with a preliminary desk study prepared for this paper.26

34. **The objective to better address crisis risks through country programs is anchored in recent WBG commitments and the priorities of shareholders.** It is also consistent with the IDA18 priority to shift toward a more differentiated and risk-based understanding of fragility and conflict, and to take other risk factors into account. Under IDA18, the Bank has pledged to “strengthen the integration of climate change and disaster risk management considerations into SCD and CPF processes,” and to ensure that “Risks and Resilience Assessments inform all CPFs in fragile and conflict-affected situations (FCS) and countries with significant risks of FCV.” This dovetails with the WBG-IMF 2016 Annual Meetings Development Committee Communiqué in which the Committee called on the Bank Group to adopt a more risk-based approach to programmatic engagement in both IDA and IBRD countries.27

35. **Building on these commitments, the Bank will strengthen its analysis of crisis risks in CPFs.** As the previous chapter noted, the Bank Group has a wide range of assessments and diagnostic toolkits to identify, understand, and prepare for crisis risks across diverse sectors and issues. As a network of units, the GCRP can help CMUs draw on the analytical tools that are best suited to their country’s risk profile when preparing CPFs, and can facilitate knowledge-sharing and learning to translate risk analysis into crisis-informed strategies and programs. Building on this capacity, in selected high-risk countries the Bank Group will conduct multisectoral risk assessments and will integrate the findings into CPFs/CENs. In this exercise, the recent experience of Morocco in developing an integrated risk management strategy and linking it directly to WBG program development through the CPF offers a useful model on which Bank teams and governments can potentially draw (Box 2).

---

26 As background for this paper, the FCV Group performed an internal desktop analysis of linkages between 22 SCDs and 22 subsequent CPFs the WBG produced in FY15-17. Criteria for including countries in the analysis centered on geographic balance (all six regions are covered); WBG CPIA score; and INFORM Index for Risk Management Natural Disaster Risk Score. The countries sampled were Afghanistan, Bangladesh, Cameroon, Chad, Colombia, Costa Rica, Côte d’Ivoire, El Salvador, Ethiopia, Guatemala, Haiti, Jordan, Lebanon, Madagascar, Maldives, Mali, Myanmar, Peru, Tunisia, Uganda, Ukraine, and Vietnam.

27 World Bank-IMF Annual Meetings 2016 Development Committee Communiqué.
Box 2. Morocco’s Integrated Risk Management Strategy

Morocco’s adoption of an integrated, whole-of-government approach to risk management can serve as a model for other countries looking to better assess, monitor, and prepare for cross-sectoral crisis risks. In 2013, the Government of Morocco, with support from the WBG, adopted an integrated risk management (IRM) strategy to systematically address the top structural risks to the country’s development. On the basis of cross-sector risk analysis and modeling from experts within and outside of the Government, the IRM strategy identified and proposed action around three risks deemed to have the highest potential economic, social, and political costs: natural disasters, commodity (energy) price volatility, and agricultural risks. The risk assessment underscored the significant economic advantages of developing a more systematic approach to crisis risk management. The exercise revealed that floods, earthquakes, and tsunamis can be expected to cost Morocco an average of MAD 5 billion per year. Commodity price volatility had a MAD 30 billion budgetary impact in 2011 alone, while exposure to various agricultural risks (drought, pest and disease, and market price volatility) was estimated to have cost MAD 75 billion in 2008 and was projected to increase to MAD 185 billion in 2020. Quantifying these risks allowed Morocco to identify interventions to mitigate their negative potential impact on infrastructure, financial stability, and the country’s broader development progress. In March 2016, Morocco took an important step to operationalize a key component of the IRM strategy when it signed a US$200 million PforR with the World Bank. The PforR aims to strengthen financial resilience to natural disasters—which the risk assessment identified as having the highest potential economic cost of the three risks assessed—through a series of actions related to promoting institutional reform and capacity building, scaling up disaster risk reduction activities, and improving disaster risk financing and insurance.

B. Strengthening WBG Crisis Management Programming

36. The Bank has a wealth of experience and strong programmatic engagement at multiple stages of crisis management, including prevention and preparedness. GPs lead risk-mitigation programs across a range of risk domains and sectors, including natural and environmental disasters, social vulnerabilities, education, health, gender, and fiscal and financial shocks (Annex E contains a more detailed discussion). Efforts to help governments set up contingency plans backed by predictable financing are key to building institutional capacity and strengthening government ownership of crisis risk management.

37. Programmatic work at the sectoral level is underpinned by a strong focus on building country-level institutions and systems before crises hit. This focus is reflected in the IDA18 special themes on governance and FCV, which place a strong emphasis on strengthening institutions as part of a strategy for overcoming fragility. Acting on this corporate priority, the Governance GP helps client countries pursue the long-term objectives of developing inclusive, capable, and accountable institutions, and of improving service delivery. These efforts aim to address governance issues to help prevent crises in the first place, but they also build a foundation of systems that can help governments respond more quickly and effectively if crises occur. Another example is the Bank’s work on strengthening the resilience of financial sectors by helping client countries develop stronger financial crisis management frameworks. For instance, the FCI GP is helping client countries design and implement bank resolution frameworks, and it has long contributed to the design, strengthening, and implementation of deposit insurance schemes around the globe to help prevent bank runs and protect small and medium depositors.

38. Important progress is also being made in strengthening client-led, country-based early warning, and risk-monitoring systems. For example, the Hydromet initiative, led by the GFDRR in partnership with GSURR, and the Water and ENR GPs, fosters links between Bank
operations and research and policy institutions to promote joint learning with partner countries. These linkages help clients that are strengthening their national meteorological and hydrological agencies improve the prediction of weather and climate phenomena, anticipate disaster, and plan programming to save lives and protect livelihoods. Regarding conflict and violence, the Bank has helped governments establish monitoring systems to track trends in, and the impact of, political and interpersonal violence in several contexts. Recent examples include the National Violence Monitoring System in Indonesia, the Bangasmoro Conflict Monitoring System in the Philippines, and the Ukraine data platform on peacebuilding and recovery. Similar support is being provided to governments through the design of crime and violence observatories in the Latin America and Caribbean Region. Bank projects also finance the establishment of Cybersecurity Emergency Response Teams (CERTs) that are responsible for countrywide monitoring of cybersecurity risks. The country-based CERTs collaborate globally through CERT FIRST on monitoring threat data.

39. **Additional ongoing efforts seek to identify and target resources to populations that are most vulnerable to crisis risks.** For example, the Poverty GP’s Global Solutions Group on “Risk Management for Poverty Reduction and Shared Prosperity” is working with GFDRR to develop methods and data for five African countries to pinpoint the households that are most likely to fall into poverty following a natural disaster. This knowledge is intended to support the design of rapid, well-targeted, and efficient post-disaster response programs. Efforts could also be made to use this knowledge ex ante to design interventions that could then be quickly rolled out to deliver support to the most vulnerable if crisis risks materialized.

40. **Despite the WBG’s engagement and growing focus, there are important opportunities to improve its crisis management programming, particularly that focused on prevention.** One of the most pressing challenges in strengthening prevention-focused programming is better identifying emerging risks and mounting multisectoral interventions to address them. Recent experience and knowledge development provide important contributions to move this agenda forward. In the area of climate change, for example, the Agriculture GP has devoted a large part of its portfolio to prevention-focused investments in building the resilience of food crop productivity to climatic variations. Such investments support research to develop improved seeds, extension services to facilitate climate-smart farming practices, and irrigation systems to reduce reliance on rainfall. In terms of public health, the Bank is working – and has committed under IDA18 – to help develop national pandemic preparedness plans for 25 countries. And on social protection, a vibrant workstream on safety nets and adaptive social protection has emerged that links short-term crisis assistance with long-term resilience-building interventions and provides a flexible approach to building safety nets for poor and vulnerable households. These ongoing efforts will be drawn on to help enhance the Bank’s future crisis management programming.

41. **The WB-UN study on the prevention of violent conflict offers important lessons for programming to enhance the management of the often slow-onset nature of crises in this domain.** The study details specific profiles across the cycle of peace and conflict and related actions that can be taken to prevent or mitigate the impact of violent conflict at each stage (Figure 5). The GCRP will help operationalize the WB-UN prevention report by disseminating the report’s programmatic recommendations to Bank Group operational teams. It will also seek to leverage risk analytics from across the WBG to identify countries that are most prone to conflict risk and
convene colleagues working on these countries for upstream planning of interventions informed by the prevention study’s programmatic agenda.

Figure 5. Prevention through the Cycle of Peace and Conflict

42. Gender has also emerged as an important element that should be more fully leveraged in programming intended to prevent violent conflict and crisis. As the WB-UN prevention report highlights, not investing in women is extremely costly and limits prospects for development and peace. The report notes that by 2025 equal participation of women in the economy would increase global GDP by US$28 trillion, or 26 percent, annually. Empowering women and promoting gender equality is crucial to accelerating development and building more inclusive societies, both important elements in preventing violent conflict.\(^\text{28}\) Women’s empowerment is also an important approach to building broader community resilience.\(^\text{29}\)

---

\(^{28}\) United Nations, World Bank 2018. *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*. Washington, DC: World Bank. © World Bank. A recent study of 156 peace agreements showed that including women in peace negotiations as mediators, signatories, and witnesses “increases the probability of an agreement lasting at least two years by 20 percent, and the probability of an agreement lasting at least 15 years by 35 percent” (Stone 2015).

\(^{29}\) GFDRR 2015.
Gender GT, the GCRP will support operational teams in developing programming that places women at the forefront of the WBG crisis management agenda.

43. **Going forward, the Bank can help client countries further develop institutional arrangements and capacities geared toward effective crisis risk management.** The World Development Report 2014 on Risk and Opportunity recommends the creation of a “national risk board” as a mechanism to help countries foster “coordinated and systematic assessment of risks at the aggregate level” and mainstream risk management into the development agenda.\(^30\) The report cites the Netherlands, United Kingdom, and United States as countries that have forged cross-ministerial teams with participation from the private sector and civil society to perform national risk assessments. It also holds up Singapore’s whole-of-government approach as a model for coordinating cross-government technocratic expertise for ongoing, integrated crisis risk management.\(^31\) The GCRP could help CMUs work with clients to assess crisis risk management practices from across the globe and design and implement a model best suited to their country context.

44. **The preparation and implementation of crisis-related programming would also be enhanced through trust fund resources for diagnostics and analytics focused on managing crisis risks.** Such resources would help country teams more fully integrate crisis risk considerations at the level of the CPF and develop programmatic operations in, or across, sectors where crisis risks are deemed to be most acute. GFDRR provides a powerful example of how trust fund resources can strengthen the integration of DRM into specific programs and operations, and how resources can be made available at short notice to support preparation of emergency operations. Relatively small amounts of resources can yield a strong return on investment by allowing for extended missions to assess whether a programmatic response is needed to head off crisis risks detected by monitoring tools. The GCRP will aim to help teams identify and access trust fund resources for such preventive efforts.

C. Addressing Cross-border Crisis Risks

45. **Addressing risks at the regional and global levels is a key element of crisis risk management in which promising programmatic examples have emerged in recent years.** At the global level, the Bank has established itself as a critical actor in addressing climate change through its commitment to boost climate-related financing to 28 percent of its overall funding by 2020 and by helping countries fulfill their nationally determined contributions under the Paris Climate Change Agreement. IDA and its Regional Program have supported cross-border initiatives to augment country preparedness for, and resilience to, vulnerabilities related to food, climate, disease, and security-related vulnerabilities across Africa and in South Asia. In the area of transboundary water management, the Bank has played a key role through initiatives like the Cooperation on International Waters in Africa initiative and the Indus Waters Treaty.

46. **The Middle East and North Africa Region (MNA) has emerged as a champion of crisis management programming at the regional level.** As part of the “resilience” and “regional cooperation” pillars of its regional strategy, MNA has pioneered three ambitious programs that

\(^{30}\) World Bank 2014a, p. 37.
\(^{31}\) Ibid., p. 37, 39.
anticipate and aim to stem crisis risks through preventive programming. Under resilience, the Global Concessional Financing Facility (GCFF) was launched in April 2016 to provide concessional financing to help Jordan and Lebanon address the influx of Syrian refugees. Under regional cooperation, the Regional Water Security Initiative addresses MNA’s status as the world’s most water-scarce region by fostering an enabling environment for water security through policy reforms and technological innovations. The Education for Competitiveness Initiative promotes regional public goods in education through interventions in five areas\(^{32}\) to prevent the emergence of an unemployed – and unemployable – generation.

47. **Despite advances, there is a need to strengthen incentives and tools for Regions, CMUs, and GPs to more systematically address crisis risks at the regional and cross-regional levels.** IDA18 offers important contributions in this regard, including the Refugee Sub-window, which, by its nature, addresses cross-border dimensions of fragility by helping refugee-hosting countries better manage the socioeconomic dimension of refugee situations. In addition, the September 2016 expansion of the GCFF to the global level positions it to provide rapid support to middle-income countries facing refugee crises wherever they occur, including outside of MNA. Still, there is a need to bring greater focus to cross-border and cross-regional crisis dynamics, in part because there is no WBG forum dedicated to this purpose. The GCRP will help to fill this gap through its regular outreach to Regional, CMU, and GP teams to identify linkages between key crisis risks in their operational areas of focus. It will also serve as a dedicated forum for convening regular discussions on how teams can work together to address these risks upstream through a complementary or integrated programmatic intervention.

D. **Promoting the Role of the Private Sector**

48. **There is clear scope and appetite to better leverage the private sector to manage crisis risks.** Private actors may have resources and capacity to offer before, during, and after crises. For example, and as discussed further in the chapter on crisis financing, firms often have distribution networks, supply lines, and sophisticated crisis scenario planning that allow them to continue operations and access vulnerable populations in hard-to-reach places during crises. The networks and business continuity of the private sector, supported by appropriate incentive structures, could potentially be leveraged by humanitarian and development groups to deliver support that saves lives and builds resilience. The ability of private actors to generate employment opportunities, pay taxes, and, in certain fragile contexts, provide key public goods can help prevent relapse into conflict and avoid the emergence of conflict in the first place. In many cases, private actors also possess sophisticated methodologies for identifying and monitoring market risks.

49. **Access to finance is among the top three constraints facing private firms that are operating in crisis environments.** The FCI GP is tackling this issue directly by supporting financial inclusion reforms in several FCV countries, with DRC, Myanmar, and Côte d’Ivoire serving as three priority countries under the Universal Financial Access initiative. Moreover, while some private companies decide to leave once a crisis starts or escalates, other choose to remain, guided by lack of alternatives to preserve livelihoods or by promising opportunities, especially

---

\(^{32}\) The pillars are early childhood development; strengthening early grade numeracy and literacy; promoting information for accountability of education institutions; enhancing career guidance and opportunities; and boosting 21st-century skills and values.
during transitions that may reward early entrants. The combination of a focus on short-term gains for crisis-affected communities and setting the foundation for longer-term growth often results from effective private-public collaboration, pointing to a clear role for WBG support.

50. **However, private firms typically enter into or continue operating within markets only if perceived rewards exceed perceived risks.** To convince firms, particularly international ones, to maintain operations in crisis-prone or crisis-affected settings, extra support is often needed to tip the risk-reward calculation in the direction of continuity. Further inducements may prove necessary to convince private actors to take efforts specifically aimed at crisis mitigation, such as leveraging distribution networks and supply lines to deliver critical support to affected populations. This points to a potentially critical role for the WBG, particularly IFC and MIGA, to explore how targeted incentives – like de-risking tools, guarantees, and different forms of subsidies – can help motivate firms to contribute to the alleviation of crisis risks and their impacts.

51. **Moving ahead, the WBG will pursue new efforts to use private sector capacity to build resilience and manage crisis risks.** First, in line with IFC 3.0 and supported both by the US$2.5 billion IDA18 private sector window and by the recent US$5.5 billion general capital increase for IFC, the WBG will look to create markets and catalyze greater sustainable private investment in IDA-only countries and in IDA FCS, which are most vulnerable to crises. Indeed, as part of the recent capital package, IFC aims to reach a 40 percent share of its commitments in IDA and FCS countries by FY30, with 15-20 percent of commitments in low-income IDA countries and IDA FCS.

52. **The Bank will also explore the potential utility of contingent contracting arrangements that would incentivize the private sector to promote continuity in or “buffer” key sectors – especially sources of foreign exchange – during crises.** Such arrangements could help ensure that temporary market disruptions do not balloon into economy-wide shocks. Financial integrity interventions can also help in maintaining the links between FCV markets and regional or global financial markets, blunting the economic impact of a crisis. Finally, the Bank will look to leverage partnerships with private actors to share monitoring data and analytics on risk-affected areas, and to identify opportunities to jointly build early warning systems in high-risk settings by drawing on the unique information and intelligence that each party brings to bear.
CHAPTER IV. REINFORCING CRISIS RISK MANAGEMENT FINANCING

53. Over the last 15 years, the Bank Group has introduced a significant number of financial tools to support crisis risk management initiatives ranging from ex-ante to post-crisis recovery and reconstruction, but there are areas that can be strengthened. This chapter identifies priority areas for strengthening the World Bank’s crisis risk management financing (shown in Figure 6). In the area of financing, the GCRP will provide a platform for consultations, knowledge-sharing, and analytics that will inform improvements in the Bank’s crisis-related financing tools such as CERCs, risk transfer and pooling mechanisms, and IDA’s Crisis Response Window (CRW). The GCRP will also facilitate discussions on new financing solutions to ensure coherence with existing tools, including carrying out consultations on a new mechanism to trigger upstream financing to stem famine risks before they reach the crisis level. Finally, it can provide a platform for consultations and analytics on how to further incentivize the use of resources for crisis prevention and preparedness, notably in IBRD clients.

Figure 6. Priorities for Strengthening Crisis Risk Management Financing

<table>
<thead>
<tr>
<th>Crisis Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Prevention &amp; Preparedness</strong></td>
</tr>
<tr>
<td>1 Promoting and Encouraging Investments in Prevention and Preparedness</td>
</tr>
<tr>
<td>2 Strengthening Financial Protection against Shocks through Prearranged Financing</td>
</tr>
<tr>
<td>4 Mobilizing Private Investment across All Stages of Crisis Risk Management</td>
</tr>
<tr>
<td>5 Optimizing Financial Trade-offs and the Use of External Resources</td>
</tr>
</tbody>
</table>

33 Examples of financial tools include ex-ante contingent financing instruments—Catastrophe Deferred Drawdown Options (Cat DDOs) and Contingent Emergency Response Components (CERCs)—as well as risk transfer and insurance solutions. The Pandemic Emergency Financing Facility, for example, was established to offer IDA countries insurance coverage against the risks of disease outbreaks. The WBG helped Caribbean and Pacific island countries establish regional catastrophe risk pools to allow them to efficiently build joint reserves and access catastrophe reinsurance markets. The IDA Crisis Response Window (CRW) is the main source of financing for low-income countries that the WBG can deploy in the aftermath of a crisis. Traditional loans and emergency loans are also available. The Bank delivered its scaled-up response in the 2009 global economic crisis through traditional development policy and investment project financing, while IFC and MIGA developed new initiatives (the Financial Sector Initiative at MIGA, and the Global Trade Liquidity Program, Global Trade Finance Program, Debt and Asset Recovery Program, and the Global Index Insurance Facility at IFC). In IBRD, the GCFF helps strengthen the humanitarian-development nexus. The Bank Group’s work on climate change includes prevention (see, for example, http://www.ndcpartnership.org/news-and-events/news/release-national-governments-partner-ensure-climate-action-fast-effective-and).

34 The 2016 GCRP paper (World Bank 2016b) contains a detailed overview of the Bank’s existing toolkit in all stages of the crisis risk management cycle and presents selected new initiatives.
A. Promoting and Encouraging Investments in Prevention and Preparedness

54. The scale-up under IDA18 provides significant scope to increase the use of resources for investments in prevention and preparedness. The priority ahead, therefore, is to ensure successful implementation. Several efforts are promoting the rollout of IDA18 among operational units (see Box 3). The IDA Risk Mitigation Regime, in particular, provides a dedicated mechanism to incentivize greater investment in programs targeting potential sources of conflict and violence. The GCRP will help draw and disseminate lessons from the implementation of the Risk Mitigation Regime and support their adoption in other countries facing a range of crisis risks.

Box 3. Fragility- and Crisis-related Enhancements in the IDA18 Package

Recognizing the increasingly wide spectrum of risks and vulnerabilities confronting IDA clients, the IDA18 package focuses on strengthening countries’ ability to tackle crises and fragility. Overall, total estimated resources to FCS have roughly doubled from SDR 7.9 billion in IDA17 to SDR 14.9 billion in IDA18.\(^a\)

**Crisis Response Window (CRW).** To support responses to severe natural disasters, economic crises, and health emergencies in IDA countries, the size of the CRW increased from SDR 1.2 billion in IDA17 to SDR 2.1 billion in IDA18. Governance arrangements for accessing the CRW for economic shocks were aligned with those for natural disasters and health emergencies. Furthermore, for countries exposed to a severe natural disaster, IDA financing terms could be adjusted on the basis of an updated debt sustainability analysis conducted shortly after the crisis.

**IDA Catastrophe Deferred Drawdown Option (Cat DDO).** Extended to IDA countries in IDA18, the Cat DDO disburses immediate liquidity to address natural catastrophes, including health-related events. It also galvanizes preparedness and prevention. To qualify, countries need to have an adequate macroeconomic policy framework as well as a satisfactory disaster risk management program in place or under preparation.

**Refugee Sub-window.** Support from the SDR 1.4 billion sub-window on refugees will help refugee host countries (a) mitigate the shocks caused by an influx of refugees and create social and economic development opportunities for refugees and host communities; (b) facilitate sustainable solutions to protracted refugee situations, including through the sustainable socioeconomic inclusion of refugees in the host country and/or their return to the country of origin; and (c) strengthen preparedness for increased or potential new refugee flows. To motivate governments of host countries to address the development needs of refugees, financing from the sub-window will be provided on more favorable financing terms and volumes than concessional core and Regional Program financing.

**Risk Mitigation Regime.** IDA18 established a new Risk Mitigation Regime to provide enhanced support to countries with governments that are committed to addressing the increasing risks of FCV. Four countries are eligible for an additional allocation of up to one-third of their indicative IDA18 allocation.

**Turnaround Regime.** The Turnaround Regime provides exceptional financial support to countries demonstrating a turnaround situation, providing a significant opportunity for building stability and resilience to accelerate their transition out of fragility. A turnaround situation could include cessation of ongoing conflict and/or commitment to major changes in the policy environment. These resources are not set aside but are based on country performance and informed by country-specific factors.

**Regional Program.** The size of the Regional Program under IDA18—excluding support to refugees\(^b\)—stands at SDR 3.6 billion, compared to SDR 2.2 billion in IDA17. With its 1:3 leverage ratio, the Regional Program is an attractive facility to galvanize preparedness and prevention. One example of where it has been used for crisis management purposes is the Caribbean Catastrophic Risk Insurance Project.

---

\(^a\) Includes estimated allocations of non-core IDA to FCS—final amounts depend on actual allocations of non-core resources across countries, depending on needs determined during the replenishment period. Meanwhile, core resources to FCV/FCS likewise doubled from SDR 5.1 billion in IDA17 to SDR 10.3 billion in IDA18.

\(^b\) For IDA18, this means excluding the Refugee Sub-window. For IDA17, this means excluding support to refugees in Jordan and Lebanon.
55. Drawing on experiences from the recent famine response in Africa and Yemen, the Bank – in coordination with UN, development, humanitarian, and private sector partners – has recently launched a new initiative to prevent and prepare for future famine risks. Despite improvements in detecting food security risks, public appeals can take months as donors require evidence, validation, and time to navigate budgetary and administrative constraints. Drawing on the framework of the GCRP—that is, risk analysis, financing, and implementation arrangements—this initiative aims to layer various financing solutions so that funding is mobilized rapidly and cost-effectively before, during, and after famine conditions emerge.

56. For IBRD-eligible countries, the capital package, endorsed by the Development Committee on April 21, 2018, significantly enhances the Bank’s capacity to provide financial resources for all stages of the crisis risk management cycle. This transformative package includes a range of solutions to address crisis risks early on and enhance crisis response capacity. It also highlights the GCRP as an important platform to operationalize the Bank’s commitment to invest more resources to address FCV situations, mitigate crisis risks, and reinforce country, regional, and global stability and development. The approach strongly endorses a “pivot to prevention” in the management of crisis risks to prevent the escalation of FCV situations and their spillovers. Building on the opportunities and commitments embedded in the package, the GCRP will enhance the WBG’s capacity to provide a coordinated approach across different areas of expertise to identify, mitigate, and respond to key crisis risks.

57. Looking beyond IBRD’s balance sheet, the Bank and its shareholders recently have shown some willingness to leverage concessional financing for IBRD countries in new ways to advance the public goods agenda through the GCFF. Launched in April 2016, the GCFF provides concessional or “IDA-like” financing to help middle-income countries (MICs) address an influx of refugees, with Jordan and Lebanon being among the first to receive assistance to manage the spillovers from the Syrian refugee crisis. Although concessional lending hinges primarily on income level, with the lowest rates reserved for the world’s poorest nations, the GCFF alters this equation by offering concessional financing to MICs that promote a global public good by opening their borders to refugees.

58. The Bank will explore ways of providing enhanced support to MICs to invest in prevention and preparedness. Such financing could encourage countries to engage in prevention and preparedness to head off crises threatening to spill across borders, but the list of eligible activities would need to be carefully considered. An indicative list of activities, consistent with the Bank’s development mandate under its Articles, could be defined on the basis of a taxonomy of crisis and specific criteria; it could include, for example, sustainable water resource management in water-scarce regions, disease surveillance and reporting systems that are critical to contain the spread of pandemics, more sophisticated monitoring of conditions that fuel food insecurity or famine, and targeted efforts to reduce conflict risks (e.g., forging social cohesion across sectarian lines). Targeted financing could also be offered in the context of peace negotiations, to help MICs implement the terms of peace accords and conduct activities to sustain peace in the post-conflict environment. Another avenue could be to explore options for providing additional or enhanced lending for prevention to MICs facing significant risks, while mitigating the potential impact on the Bank’s credit risk exposure.
59. As part of the capital package and in light of the prominent role global public goods (GPGs) play in IBRD’s Forward Look objectives, it is proposed that a modest portion of the resources in the surplus account of IBRD be devoted to providing support to IBRD projects supporting GPG projects. The amount of resources devoted to this objective would be based on evaluations of IBRD’s annual financial results, considering reserve retention needs. The scope of their use will be discussed by the Board by the end of FY19.

60. Identifying and promoting the benefits of crisis prevention and preparedness in policy dialogue with clients may encourage further investment. Sovereign bond ratings can significantly influence a country’s borrowing costs, especially in the capital markets. Although ratings agencies differ in their methodologies (see Box 4), lower ratings typically imply higher probabilities of default. To invest in lower-rated bonds, investors generally require return premiums above those of more highly rated issuers. Therefore, it is in a country’s interest to have the highest possible sovereign bond rating. Responding to crises can pose additional fiscal burdens for governments, influencing these ratings; however, investing in prevention and preparedness measures could provide mitigating benefits.

Box 4. Benefits of Crisis Risk Management for Sovereign Creditworthiness

In recent years, ratings methodologies have become more concerned with crises, particularly those created by natural disasters, as an influencing factor in sovereign credit profiles. Moody’s Investors Service recognizes that natural disasters can have significant “one-off credit implications” and even lead to weaker economic activity for sovereign issuers. Moody’s also recognizes that countries more susceptible to natural disaster risks “generally have weaker credit worthiness, reflected in lower government bond ratings.” Standard & Poor’s, another major ratings agency, notes that the occurrence of natural catastrophes can lead to a “material deviation from the indicative rating level” and leave economic activity “vulnerable due to constant exposure.”

However, both agencies note that ex-ante financing facilities such as multilateral aid and funding, insurance, and savings funds can improve fiscal metrics and act as mitigating factors. Recent consultations with ratings staff also indicate that additional transparency of such facilities could potentially lead to improvements in creditworthiness when crisis risks are properly managed. As countries seek to justify the use of public funds for preventive measures, it is important to emphasize the potential financial benefits and cost savings generated by such investments.

---

a Moody’s Investor Service 2016a.
b Moody’s Investor Service 2016b.
c Standard & Poor’s Ratings Service 2015.

B. Strengthening Financial Protection against Shocks through Prearranged Financing: Contingency Instruments and Risk Transfer Solutions

61. Strengthening financial protection against risks that cannot be mitigated is an integral part of the Bank Group’s crisis financing toolkit. Prearranged financing, including contingent financing and risk transfer instruments, can provide liquidity to governments in the event of a shock, ensuring the availability of financial resources to fund a timely and effective response and ultimately reducing short-term humanitarian and long-term development impacts. Such instruments can provide a policy platform for ex-ante crisis risk management and create incentives for proactive planning and risk-informed investments in risk reduction.
62. **The CERC, one of the Bank’s contingent financing tools, is little used; further promotion could increase uptake in core operations.** At end-FY17, 57 projects totaling US$10.6 billion contain a CERC component, and about US$44 million has been allocated by activated components (see Box 5 for examples). However, half of all CERC-inclusive projects—60 percent of the total value—are located in only seven countries and have originated from GSUR; of the remaining CERC-inclusive projects, a significant share come from the Health, Nutrition, and Population (HNP) GP. The fact that the use of CERCs is not more widely distributed among other high-lending sectors suggests that there may be greater scope to use this instrument.

**Box 5. CERCs Are Effective Instruments for Responding to Disasters**

| Dominica. On August 27, 2015, Tropical Storm Erika passed over Dominica, producing extraordinary rainfall and rapid flooding that resulted in 11 deaths and damage assessed at US$483 million (90% of GDP). At the Government’s request, the CERC in the Disaster Vulnerability Reduction Project was triggered on September 28, 2015, allowing the Government to access US$1 million with which to address immediate emergency response needs such as cleaning up debris and reopening transport access. |
| Saint Vincent and the Grenadines. On December 26, 2013, the Government declared a National Level 2 Disaster in the aftermath of rains associated with a tropical trough system that had hit the island two days before. The disaster caused nine deaths and physical damages estimated at approximately US$108.4 million (15% of GDP). Shortly thereafter, the Government requested assistance from the Bank, and the stand-alone CERC under the Bank-financed Regional Disaster Vulnerability Reduction Project was activated on January 14, 2014. This facility provided the Government with immediate access to US$1.9 million for emergency recovery activities, including preparing alternate routes around damaged and destroyed bridges and restoring the water supply with procurement of pipes to replace damaged infrastructure. |
| Mozambique. As part of Mozambique’s US$40 million Emergency Resilient Recovery Project, a CERC was included with zero allocation. Following the approval of the project, Mozambique suffered from a significant drought that created desperate conditions in parts of the country. On July 14, 2016, the Government requested funds to respond, and on November 2, 2016, US$15 million was allocated to the CERC to help purchase food and medicine in the drought-stricken areas. |

63. **The Bank is promoting more frequent use of CERCs by internal units and governments.** To advance the use of CERCs in IPF operations, OPCS, jointly with GFDRR and in consultation with practice teams across the Bank, developed and released a new Guidance Note (October 2017). In addition, GFDRR and OPCS have established a support desk to provide hands-on assistance on CERC-related matters. GFDRR has also created a CERC Just-in-Time facility that provides on-demand grants of up to US$50,000 for technical support in designing, developing, and/or activating contingency plans once CERCs are established.

---

35 GFDRR and OPCS have also launched a learning package that includes (a) information sessions for managers and staff; (b) brown-bag lunches for TTLs of pipeline IPF lending operations; (c) face-to-face clinics and an e-learning module; and (d) a resource website (http://cerc). This learning package is intended to enhance WBG task teams’ capacity to integrate CERCs into projects, where appropriate; provide on-demand technical assistance with developing, implementing, and triggering CERCs in an emergency; and support client countries’ capacity to activate these instruments.
64. The Cat DDO is intended to strengthen a country’s disaster risk management capability by promoting policy and institutional reforms and providing rapid response financing after a natural disaster, which may include health-related events. This funding can provide a buffer to support immediate needs, in advance of larger and more sustained financing for reconstruction and rehabilitation efforts that may be financed through different instruments. Until recently the Cat DDO was available only to IBRD countries, and the size of the loan was limited to the lower of 0.25 percent of GDP or US$500 million. In IBRD countries, 14 Cat DDOs worth US$2.5 billion were approved between 2008 and the end of April 2018, and the instrument has been a valuable platform for advancing policy dialogue on disaster readiness and for deploying financial resources quickly.

65. The IDA18 package entails innovations to Cat DDOs. The Cat DDO was extended to IDA clients in IDA18. The design has drawn from IBRD’s experience but has been tailored to fit the needs of IDA countries. To reflect the smaller size of IDA economies relative to IBRD clients, the Cat DDO is limited to the lower of 0.5 percent of GDP or US$250 million; IDA countries with limits below US$20 million are able to request up to this amount. To incentivize usage, if the country opts to fund its Cat DDO using its concessional core IDA allocations, only 50 percent of the Cat DDO will come from its IDA country envelope, with the balance matched by IDA’s overall resources. There is an initial overall portfolio limit of US$3 billion. The design and options to fund an IDA Cat DDO seek a balance between encouraging appropriate use, ensuring client ownership, and safeguarding the prudential integrity of IDA resources.

3. Market-based Risk Transfer Mechanisms

66. Market-based risk transfer and insurance solutions play an important role in crisis risk management, but for more sustained use, knowledge and incentives must be promoted among clients and staff. The Bank has executed and arranged market-based risk transfer and insurance transactions with over 25 countries, providing nearly US$4 billion in coverage for tropical cyclones, earthquakes, tsunamis, excess rainfall, and even epidemics and pandemic risks. A major advance came in June 2017 with the launch of the Pandemic Emergency Financing Facility, which marked the first time World Bank bonds had been used to finance efforts against infectious diseases and the first time that pandemic risk in low-income countries had been transferred to the financial markets. Despite this achievement, important challenges remain. Risk transfer contracts require payment of an insurance premium that reflects actual risk exposure, and sustained donor support is often necessary to help countries cover the cost of insurance premiums. Risk transfer instruments should be carefully designed to avoid moral hazards and to provide tangible, positive incentives for countries to invest in preparedness and risk mitigation. Donors are

---

36 The Cat DDOs have been extended to the following countries: Colombia (x2), Costa Rica, Dominican Republic, El Salvador, Guatemala, Panama, Peru (x2), the Philippines (x2), Serbia, Seychelles, and Sri Lanka.

37 World Bank 2017f.

38 Instruments such as derivatives, insurance contracts, and catastrophe bonds transfer the risks of certain events, such as natural disasters, to market actors.

increasingly looking at how best to deploy grant resources to support effective and innovative risk financing solutions.

67. **The Bank is expanding risk pools to new countries and regions.** The Bank is a recognized leader in helping countries set up regional catastrophe risk pools such as the Caribbean Catastrophe Risk Insurance Facility and the Pacific Catastrophe Risk Insurance Facility. Such initiatives offer sustainable, country-owned, regional solutions and are supported by multiple donors. Most recently, the Bank is providing a comprehensive set of financial and advisory services on disaster risk finance to Cambodia, Lao PDR, and Myanmar to establish a new regional catastrophe risk pool—the Southeast Asia Disaster Risk Insurance Facility.

68. **The Bank is playing a leading role in promoting disaster risk finance and insurance solutions on a global level.** At the Hamburg Summit in July 2017, the G20 endorsed the creation of a Global Partnership for climate risk finance and insurance solutions. This partnership was formally launched at COP23 as the InsuResilience Global Partnership, with the goal of deepening climate risk insurance markets and the use of innovative insurance-related schemes in developing countries. The Bank plays a key role in this partnership as a technical and implementing partner. With support from the UK’s Department for International Development (DFID), the Bank is also establishing a new Hub of its Disaster Risk Financing and Insurance Program in London, as part of DFID’s Centre for Global Disaster Protection. The Hub will provide technical assistance to governments on the financial risk management of climate and disaster risks and will leverage the expertise of the finance and insurance industries present in the City of London. This aligns with corporate efforts to leverage private capital to support development solutions as part of the Maximizing Finance for Development approach.

69. **Going forward, the governments of Germany and the UK, with support from the World Bank, are undertaking consultations on a new Global Risk Financing Facility (GRiF) to strengthen the financial resilience of vulnerable countries.** This facility would enable earlier and more reliable crisis response and recovery in vulnerable countries by establishing and/or scaling up prearranged climate and disaster risk financing instruments, including insurance. As a multilateral vehicle, the GRiF is expected to strengthen alignment and collaboration between participating countries in climate and disaster risk finance and insurance, complementing the existing climate finance and aid architecture. The scope of the facility would initially cover shocks from natural disasters, extreme weather events, and other climate risks, but, with interest from partners, it could potentially be broadened to other type of shocks—for example, to famine.

70. **The World Bank’s Treasury has also developed a number of products to help clients transfer catastrophe and weather risk to the insurance markets:** swap intermediation, the MultiCat program, the Capital-at-Risk Notes program, and insurance contracts. In all the catastrophe and weather risk transfer transactions the Bank has entered into, it has never retained unhedged risk. However, retaining some of this risk could bring benefits—for example, being able to facilitate more and larger catastrophe and weather risk transactions for clients; having a greater

---

40 The US$33 million multidonor trust fund is currently funded by Germany and the United Kingdom.

41 The Disaster Risk Finance and Insurance Program is led by the FCI GP with support from GFDRR. It operates in 60 countries, providing financial and advisory services to help them manage the financial impacts of disasters through disaster risk finance and insurance solutions.
ability to package together diverse risks from different clients, thereby lowering the premium costs
to each client; potentially providing insurance coverage in local currency; and making available
risk models to clients for risk analysis purposes.

C. Expanding and Streamlining the Use of Crisis Response Financing

71. The recently agreed IBRD capital package has reinforced IBRD's crisis response
capacity, and it incorporates a crisis buffer in the Financial Sustainability Framework. The
framework is based on a set of rules to size the lending program, ensuring automatic self-correcting
mechanisms to stay aligned with the Bank’s long-term sustainable capacity, while automatically
building up a crisis buffer to respond to unanticipated urgent demands such as crises. As part of
annual Board updates, the Bank will seek Board authorizations on the key parameters of the crisis
buffer, including its size, its use, and the speed at which to reconstitute it after its use. The design
of the Financial Sustainability Framework will be discussed with the Board by the end of 2018.

72. In IDA, the Bank has demonstrated its ability to generate swift and effective responses
to major crises. In IDA countries, the CRW helps countries respond to severe economic crises,
major natural disasters, and public health emergencies. For instance, CRW funds were disbursed
in just nine days in response to the 2014 Ebola crisis in West Africa. More recently, a US$1.8
billion multicountry package comprising 17 projects was put together in three weeks as a response
to the famine in Africa and Yemen, and US$706 million (i.e., almost all of the quick-disbursing
component) had been released as of March 15, 2018; the rest is for building medium-term
resilience. This has highlighted the Bank’s ability to mobilize financing to address compound risks,
even in exceptional cases. The Bank is building on these initiatives by exploring options for earlier
financing to mitigate future famine risks.

73. Through an internal review, the Bank has identified opportunities to streamline CRW
processing to enable faster crisis response. To support front-line delivery, CRW guidance,
sample notes, and an eligibility matrix have been made available on the new IDA18 website. A
Value Stream Mapping exercise also was conducted to explore ways to further streamline CRW
procedures. A CRW stocktaking is being planned for discussion at the IDA18 Mid-Term Review
in November 2018. This exercise will review the experience of the CRW—for example, how it
has evolved to respond to a changing crisis landscape and how it has helped countries to “build
back better” following a crisis. The stocktaking will also identify lessons for the future.

---

42 One of these rules is to introduce by default harder terms when accessing the crisis buffer to incorporate the trade-off between volumes and terms, while recognizing that some access to the crisis buffer may require regular terms (as for a large multi-country natural disaster or pandemic). Another rule is to set a ceiling on the annual lending program, defined by what is available within the long-term sustainable capacity while maintaining the crisis buffer.

43 The CRW is IDA’s ultimate pooled fund for crisis response, aggregating the risks of over 70 countries across economic, health, and natural disasters and providing clients with additional resources to cope with such calamities. Traditional instruments such as development policy foundation and IPF are used to deliver this response.
D. Mobilizing Private Investment across All Stages of Crisis Risk Management

74. The “Maximizing Finance for Development” principles represent an important step in prioritizing private sector solutions, including meeting the needs of the private sector in crisis risk management. Adopted by the Bank in 2017, these principles seek to maximize development resources by drawing on private financing and sustainable private sector solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards, reserving scarce public financing (including concessional funds) for those areas in which private sector engagement is not optimal or available. This work includes ongoing efforts to expand blended finance to de-risk markets and crowd-in commercial financing.

75. The new IDA18 IFC-MIGA Private Sector Window (PSW) has several synergies with the crisis risk management agenda that can be reinforced. Under the PSW, IDA will assume risks that the private sector is unable to assume on commercial terms. Thus, the PSW is designed to catalyze greater private sector investment in IDA-only and IDA-FCS countries. Private sector investments that benefit from PSW subsidies should help grow more robust economies and build resilience in countries that are most vulnerable and least equipped to deal with crisis impacts. Existing PSW instruments such as political risk guarantees under the MIGA Guarantee Facility and Risk Mitigation Facility seek to mobilize private capital to invest in infrastructure such as power and transportation. Resilience can be strengthened further through PSW support to attract private capital to agribusiness, manufacturing, and services industries that may be in need of fresh capital for recovery and rehabilitation. The PSW has gotten off to a strong start: five projects worth US$88 million have been approved, and there is an advanced-stage pipeline of over US$240 million.

E. Optimizing Financial Trade-offs and the Use of External Resources

76. Augmenting the Bank’s crisis risk management activities would have to take into account important trade-offs at the country and corporate levels. At the country level, clients sometimes do not take up contingent crisis financing because of the opportunity cost of tying up IDA or IBRD resources for events that may not materialize. Similarly, countries with pressing development needs like infrastructure, health care, and education may view crisis prevention or mitigation activities as a less immediate priority and opt not to use limited World Bank resources for such programming. This constraint remains pertinent for IBRD countries even though the capital increase has eased the Bank’s capital constraints. Achieving crisis prevention objectives in IBRD countries may require incentivizing the uptake of crisis risk financing instruments and/or reducing trade-offs between “money-in-hand” programs and projects focusing on preparedness and prevention with sometimes less immediate benefits. This has implications at the corporate level, as creating financial incentives for encouraging preparedness and prevention may result in trade-offs against regular WBG lending programs.

77. Promoting financial layering can help clients optimize various funding streams to address the impacts of crises. Layering relies on an optimal combination and sequencing of financial instruments such as domestic disaster contingency (to cover recurrent, moderate disasters), contingent financing instruments such as Cat DDOs and similar instruments from other

---

44 World Bank 2017d.
development partners (to cover less frequent, more severe disasters), and catastrophe risk transfers such as insurance or cat bonds (to cover infrequent but severe disasters). Countries that have developed a comprehensive financial protection strategy, relying on a risk-layering approach, include Colombia, Kenya, Mexico, Peru, and the Philippines.\textsuperscript{45}

78. **The GCRP will provide a platform to promote and facilitate the design of appropriate financing strategies, including layering, to mitigate or respond to multisectoral crisis risks.** This may include conducting a stocktaking to determine whether high-risk countries are effectively using existing risk financing tools. Bank financing is vital to helping clients address crisis risks, but it is just one part of a more comprehensive financing package that includes many other financing channels. Layering strategies can be applied not only to the Bank’s own financial tools but to a client’s complete crisis-related financing portfolio. Crises, especially those that are global in nature, require global financial responses from the international community, and layering strategies can help direct the efficient use of such resources. The Bank can assist clients and partners in developing these strategies to make the best use of various forms of crisis-related financing, especially in relation to the wider international architecture.

79. **The Bank’s ongoing trust fund reform process aims to improve the strategic alignment and corporate oversight of trust fund resources and to increase efficiencies.** Trust fund reforms will also improve the integration of trust fund resources into WBG strategy, business planning, and budgeting processes. This effort will help maximize trust funds’ impact in supporting the Bank’s crisis risk management agenda. Trust funds complement IBRD and IDA in advancing the prevention and preparedness agenda and supporting strong risk monitoring, knowledge, and analytics, strategic programming, and swift crisis response. They also provide flexibility to intervene early and under circumstances when IBRD and/or IDA may not be an option. Further analysis will be done to assess how trust funds can be best used to support crisis risk management.

\textsuperscript{45} Depending on the country context, humanitarian assistance is often de facto a part of financial layering for many countries. Supporting countries in developing a strategy, implementing the strategy to draw on these various sources, and channeling resources into crisis response programs is important.
CHAPTER V. ENHANCING OPERATIONAL EFFECTIVENESS AND PARTNERSHIPS

80. The Bank has made significant progress in enhancing its operational effectiveness in the context of crisis risk management. This chapter describes recent innovations in the Bank’s operational capacity and partnerships in crisis settings and sets out ways in which the GCRP can complement and enhance these important efforts. The primary value-addition of the GCRP in this area will be bringing relevant units together to explore additional practical solutions to strengthen the delivery of Bank operations in challenging environments, and by facilitating partnerships with non-state actors and deploying actionable knowledge on innovative practices.

A. Flexibility and Timeliness in Response

81. Although the WBG is not considered a “first responder,” the Bank’s ability to operate effectively in crisis, conflict, and post-conflict settings is critically important for recovery and for preventing the recurrence of conflict. The timeliness of WBG assistance is a function of several factors, such as client ownership and capacity, needs assessment, project preparation (including internal processes and procedures), availability of financing, the project approval process, and implementation readiness. It must also take account of fraud and corruption risk and risk mitigation.

82. The Bank’s operations under the GCRP will remain fully aligned with the principles of the Bank’s policy on rapid response to crises and emergencies; the Bank will continue to focus its direct assistance on its core development and economic competencies. The GCRP will operate within the Bank’s mandate, including in all situations where the Bank supports peace-building objectives and relief-to-recovery transitions; in close coordination and appropriate partnership arrangements with other development partners such as the UN; and with appropriate oversight arrangements, including corporate governance and fiduciary oversight, to ensure the appropriate scope, design, speed, monitoring, and supervision of emergency operations.

83. The GCRP agenda will benefit from recent innovations in operations policy: provisions under paragraph 12 of the Bank Policy on Investment Project Financing;\(^46\) the new Procurement Framework, which became effective in July 2016 and provides flexibility and simplification in situations of urgent need or capacity constraints—especially regarding the greater delegation of procurement decisions to staff on the ground;\(^47\) and enhancements to the Project Preparation Facility approved by the Board in January 2017. OPCS has also developed “agile” processes to endorse or approve operational policy waivers, which helped to streamline the preparation of critical projects to address the famine emergency in Somalia and Yemen in 2017.

84. As the Bank seeks to preemptively address and respond more quickly to crises, opportunities will be explored to deploy funds more quickly for necessary projects and programs. When risk monitoring and analytics indicate that a crisis may be emerging, a mechanism for prearranging mitigation and response plans can help address worsening risks. For

\(^{46}\) During IDA18, Management committed to do a stocktaking of operational policies as they apply to FCV and report to the Board. The exercise is ongoing, and its outcome might create additional flexibility.

\(^{47}\) The new Environmental and Social Framework will also be helpful. It provides that due diligence in Bank projects must take account of social risks and impacts, including threats to human security through the escalation of personal, communal, or interstate conflict, crime, or violence.
instance, as conflict in Yemen destroyed critical water and sanitation infrastructure, projects were designed in anticipation of highly predictable cholera outbreaks. The Bank will review such experiences to assess whether and how operational arrangements could be strengthened to expedite the implementation of crisis response projects. The Bank will also identify situations that may warrant special (program) arrangements to ensure timely delivery in crisis contexts. This was the case in 2008-2012, for example, during and immediately after the food, fuel, and financial crises. In early 2008, the Bank established the Global Food Crisis Response Program (GFRP), which mixed fast-track funding from the Bank with trust fund grants. Today, the creation and implementation of the GFRP is widely recognized, both internally and externally, as a prime example of the Bank responding nimbly to address dire crisis needs.

85. **The Bank will maintain a strong focus on mitigating fraud and corruption risks in crisis response efforts.** Experience shows that corruption can occur more easily in the context of large-scale crisis response, when there is a need to act quickly and there is less time for proper fiduciary assessments. Corruption can hinder effective crisis management and even delay the transition out of a crisis environment to a more enabling environment for development. Good crisis management should therefore include a concern for corruption vulnerabilities, something on which the Integrity VP’s Prevention Team provides support to Bank operational teams, including analysis to help design specific crisis response mechanisms that would help reduce the susceptibility of implementation arrangements to fraud and corruption.

B. **Ensuring Appropriate Budgetary and Human Resources Arrangements for Crisis Response**

86. **An enhanced WBG engagement on crisis risk management has operational and security cost implications.** As highlighted as part of the capital package endorsed by the Development Committee in April 2018 and in the context of the IDA18 FCV Special Theme, engaging on crisis risk management and operating in FCV situations has higher operating costs because of the need for more capital per dollar of lending and higher overhead costs for security management and supervision in insecure settings. For example, an ongoing analysis of the use of third-party monitoring (TPM) to enhance project supervision in insecure environments shows that the Bank has spent US$51.5 million on active TPM contracts in IDA and IBRD countries (Afghanistan, Cameroon, Iraq, Pakistan, Somalia, South Sudan, and Yemen), 96 percent of which is paid out of trust funds. At a median cost of US$2 million per TPM contract (which lasts 1-3 years), annual expenditure on TPM can exceed the yearly Bank budget resources allocated to project supervision by as much as three times. It is therefore likely that multiple financing sources will be needed to complement the resources from the Bank budget.

87. **The WBG’s growing crisis engagement amid a more complex and fast-changing crisis landscape requires appropriate budgetary arrangements and strategic use of trust fund resources.** The Bank has corporate budgetary mechanisms for promoting collaboration among units and for dealing with unexpected crises, including regional and corporate contingency funds. Such funds have been used to mobilize cross-unit staff and bring together appropriate technical expertise to respond to natural disasters and emergencies. Enhancing the flexibility and speed of crisis response efforts, especially at the corporate/cross-sectoral level, will require making full use of existing internal mechanisms to redeploy funding within a work program as may be needed. It will likely also require mobilizing resources from trust funds. In the field of natural disasters,
GFDRR provides a strong example of how resources can be made available at short notice to support the preparation of assessments, recovery frameworks, emergency operations, and rapid deployment of teams. Going forward, the Bank will need to make strategic use of trust fund resources to help ensure that it is better equipped to deal with the interconnectedness of crises that can extend beyond individual sectors, countries, and Regions.

88. **Recent efforts to address crises with dedicated teams have shown early signs of success.** In response to the ongoing crisis in Yemen, the Bank mobilized a dedicated Yemen Reengagement Team to support preparedness and recovery efforts. The establishment of this team reflects the Bank’s experience over the past 10 years in post-conflict reengagement. The team seeks to address recurring challenges that have inhibited past efforts, such as securing resources, creating interdisciplinary (operational-fiduciary) teams, and maintaining institutional focus and commitment. Drawing on this experience, in June 2017, with the support of a grant from the State and Peacebuilding Fund (SPF), the Bank deployed a crisis-response mission to North-Eastern Nigeria to develop an integrated approach to the Bank’s crisis response.

89. **The Bank will identify opportunities to strengthen its capacities and human resource arrangements for the rapid deployment of staff to crisis situations.** Through the GCRP, the Bank will review past experiences in establishing and deploying crisis-response teams in the aftermath of a sudden crisis and will examine how to reinforce pre-planned but flexible structures for coordination and rapid deployment of support to country teams in crisis settings. This will include identifying staff with the necessary skills and relevant expertise across various crisis risk areas (including logistics and security), and establishing a roster of cross-GP and cross-Regional crisis response staff with dedicated focal points. This exercise will also help identify talent gaps and development needs.

C. **Enhancing Operational Engagement Capacity and Leveraging ICT tools in FCV and Crisis Contexts**

90. **Operating effectively in crisis contexts and conflict-affected environments poses several challenges, and the Bank will develop further tools and guidance to help ensure efficient and effective fit-for-purpose approaches.** Challenges include managing the links between humanitarian and development issues, and maintaining financial sustainability as part of the business model for supervision. TPM approaches have been used in several highly insecure settings (see Annex G), and the Bank will draw on these lessons to provide further guidance to country teams, covering, among other things, identifying entry points in developing program supervision procedures with key security actors for safer supervision. The Bank will continue to explore opportunities for leveraging the field and logistical presence of development partners on the ground (security, transport, communications, meeting facilities and connectivity, etc.).

91. **As the Bank furthers its crisis risk management engagement, it will be critical to build on the comparative advantages of nongovernmental organizations supporting this agenda.** Over the last decade, the WBG has made major strides in strengthening its relationship with UN agencies, and has developed practical frameworks for operational collaboration. Building on these experiences, the Bank will explore the advantages of engaging INGOs, civil society organizations, faith-based organizations, foundations, and private sector partners—all of which are integral to the
crisis risk management ecosystem. These actors can supplement Bank operations by providing additional resources, technical expertise, and access to difficult environments. This work includes taking stock of current project-level engagement with INGOs and exploring options for enhanced engagement. Particular attention will be given to the fiduciary aspects of engaging INGOs. OPCS has developed a framework for assessing INGO procurement arrangements, and is finalizing an assessment methodology for financial management.

92. **The GCRP will support the systematic harnessing of innovative technology to close some crucial information gaps in FCV and crisis contexts and to improve operational effectiveness even in areas that Bank staff cannot access.** For example, different Bank teams have increasingly used GIS and remote sensing techniques for analyzing crisis issues. GFDRR and GSURR have been at the forefront of harnessing technology for quantifying disaster and climate risks and enabling more targeted operational responses. Successful uses of remote sensing technology in crisis contexts include the assessment of localized impacts from natural disasters, such as the Nepal and Haiti earthquakes; tracking of large-scale forced displacement patterns as in Lebanon and Uganda; and Damage and Needs Assessments conducted on Syria and Yemen. A major added value of satellite-based remote sensing is the ability to conduct specific in-depth assessments when on-the-ground access is impossible.

93. **ICT tools and geospatial analytics can also contribute to effective programming, prioritization, remote supervision, and monitoring and evaluation (M&E) of interventions.** Once established, a geo-enabled M&E system allows for quick, easy, and semi-automated remote verification of project implementation and activities in the field. Information that can be automatically uploaded in near real-time and remotely analyzed includes survey responses, citizen feedback, project results indicators, and qualitative and quantitative data and photographs collected in the field. The Geospatial Operations Support Team recently used this methodology successfully with a large-scale community-driven development project in Azerbaijan and is currently applying it to the Bank portfolios in FCV contexts like South Sudan and Northeast Nigeria (see Annex G). The GCRP will facilitate experience-sharing and learning and will support the further rollout of this technology to enhance implementation effectiveness in FCV and crisis contexts.

D. **Deepening Partnerships with Humanitarian-Development-Peace Partners**

94. **Crisis risk management in the most difficult settings requires policy coordination among humanitarian, development, and peace actors to ensure that incentives and interventions are aligned, complementary, and consistent with building longer-term resilience.** The operating principles, goals, rules, funding modalities, mechanisms, and constraints – and even the basic terminology – of humanitarian and other partners may not be familiar to Bank teams, and vice versa. Institutional impulses and imperatives might be quite different, though ongoing efforts such as the Grand Bargain are attempting to change this.

---

48 “Geo-enabling” relates to the systematic use of ICT tools for the collection and analysis of granular spatial (geo-tagged) data in the field.

49 The Grand Bargain is the outcome of negotiations between representatives of 15 donors and 15 humanitarian organizations as a result of a call for improved efficiency made by the UN Secretary-General’s High-Level Panel on Humanitarian Finance. It was adopted by many other donors and partners at the World Humanitarian Summit.
95. **The WBG has built strong partnerships for crisis response.** For example, following a disaster, coordination routinely occurs between the UN’s cluster system, which is relief-focused, and the Bank-supported process of recovery planning and implementation. Under the Joint Declaration on Post-Crisis Assessments and Recovery Planning, the World Bank, EU, and UN have committed to support countries through common methodologies for post-conflict needs assessments and a common approach to post-disaster needs assessments and recovery planning. A High-Level Advisory Group brings together senior director-level officials from the three organizations every quarter to discuss and support country-specific efforts to collaborate. The Pandemic Emergency Facility (PEF) provides another example of close collaboration with the World Health Organization (WHO) and other UN agencies. The PEF was set up in partnership with the WHO and the private sector and relies heavily on data work that is conducted by the WHO. Several UN agencies (WHO, UNICEF, and WFP) are also involved as responding agencies within the PEF.

96. **The Bank will continue to engage closely with the UN and others across the humanitarian-development-peace nexus.** The UN-WB Partnership Framework for Crisis-Affected Situations was signed in April 2017 to drive a more strategic collaboration on this agenda at both headquarters and country levels. A monitoring exercise to assess progress on operationalizing the commitments is currently under way. The joint UN-WB Humanitarian-Development-Peace Nexus Initiative is one example of joint work between the UN and WB to catalyze the implementation of the “new way of working” toward collective outcomes, aligning strategies and operations in situations of protracted crisis at the country level. A recent stocktaking of the initiative showed how joint projects with joint funds can give impetus to collaboration on the ground. The results and lessons will contribute to the evidence base on how to operationalize the “new way of working” at the country level, and the GCRP will facilitate dissemination of these lessons to country teams.

97. **The Bank’s work on refugees is a good example of progress in bridging these differences with the aim of achieving better collective outcomes for affected people.** The IDA18 Refugee Sub-window provides an important opportunity for the World Bank to scale up

---


51 About 50 Post-disaster Needs Assessments and 15 Recovery and Peacebuilding Assessments (RPBAs) have been carried out over the past decade, helping countries not only to assess the damages caused by different types of crises, but also to put in place strategies to address the underlying causes of conflict-related crisis.

52 The framework builds on almost a decade of efforts to strengthen UN-WB collaboration in crisis-affected situations, updating an earlier framework signed in 2008. Its objectives are to (a) reduce the multidimensional risks of crisis and help prevent violent conflict; (b) develop joint analyses and tools for more effective solutions; (c) coordinate support to address protracted crises including forced displacement; and (d) scale up impact by leveraging financing.

53 So far, Cameroon, Central African Republic, Guinea Bissau, Nigeria (SPF-funded), Pakistan, Somalia, Sudan, and Yemen are part of the pilot. The pilot projects range from developing a joint/shared data platform (Yemen) and conducting joint assessment and/or analysis on priority issues identified jointly by UN and WB (Cameroon, Somalia, and Sudan), to identifying entry points and delivery platforms for more effective IDA project implementation (NE Nigeria). World Bank 2016b.
technical and financial support to client governments to strengthen the policy environment, address the socioeconomic impacts of forced displacement, and ensure greater collaboration among key stakeholders. The World Bank is working closely with UNHCR at the global, regional, and country levels, coordinating on the rollout of the IDA18 Sub-window and the Comprehensive Refugee Response Framework in the pilot countries. Lessons and experience from this work will feed into the Global Compact on Refugees.

98. **To work more effectively across the development-peace part of the nexus, the Bank is reaching out to actors that complement its mandate in the areas of politics, peace, and security.** This includes enhanced collaboration with the UN Department for Political Affairs (DPA) and the Department for Peacekeeping Operations (DPKO). In May 2018 the World Bank hosted a desk-to-desk visit by DPA with the objective of sharing country analyses, which will be followed up with regular exchanges in the future.Dialogue with DPKO aims to enhance cross- organizational learning to facilitate easier collaboration on the ground—for example, in the transition phase when a peacekeeping mission leaves a country.

99. **The recently concluded World Bank memorandum of understanding with the International Committee of the Red Cross provides an example of how the Bank is strengthening partnerships with humanitarian actors to enhance impact on the ground in settings of protracted crisis.** The memorandum, which was signed on May 9, 2018, outlines specific areas for collaboration between the two organizations, with a focus on operational-level collaboration, knowledge exchange, and cooperation to shape the humanitarian-development agenda. It is viewed as a precursor to a potentially more comprehensive framework agreement to further deepen the partnership. Already, discussions on strengthened collaboration are under way in the context of economic security, health, and water in Yemen and food security in South Sudan, and at a broad, strategic level with country teams in Somalia, Mali, and Myanmar.

100. **In mitigating and managing global crises, the Bank works closely with other relevant international financial institutions such as the IMF and other multilateral development banks.** For decades, the Bank and the Fund have collaborated on a variety of economic and financial issues. MFM GP coordinates the dialogue with the IMF on economic issues and operational aspects such as crisis response coordination. Bank country economists perform regular macroeconomic monitoring along with IMF colleagues. The GCRP will provide a wider context for such collaboration, bringing crisis risk beyond the economic and financial realm to the joint focus and encouraging institutions to act preventively. Together with other multilateral development banks, the WBG has committed to respond to the global forced displacement crisis, complementing humanitarian and peacekeeping efforts. Under the GCRP the Bank will step up technical support for these activities.

---

54 The WB uses the UNCHR country assessments to determine a country’s eligibility for resources from the IDA18 Refugee Sub-window, but the WB alone determines the allocation (use) of these resources.
CHAPTER VI. IMPLEMENTATION ARRANGEMENTS

101. The 2016 GCRP paper provided important guidance on what operationalizing the GCRP would require. Specifically, it identified the need to put 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 dialogue on crisis management. At the top management level, crisis platform meetings will be convened quarterly and chaired at the CEO level. In addition, a senior working-level coordination mechanism will be established and convened every two months to share information and lessons learned.”

This chapter reports on progress in operationalizing the GCRP and proposes additional actions to further implement the GCRP’s organizational arrangements.

A. Progress in Operationalizing the GCRP

102. Following Senior Management’s decision in March 2017 to assign to the FCV Group the lead role in operationalizing the GCRP, the Group has taken several steps to advance the Bank’s broader crisis risk management agenda. FCV has helped on an ongoing basis to coordinate the Bank Group’s famine response, including the new partnership with the International Committee of the Red Cross and the engagement with the United Nations Security Council on the development aspects of the humanitarian crisis. Meanwhile, using the SPF, it has assisted in creating or strengthening components of the infrastructure for multidimensional risk monitoring, analytics, and assessments across the WBG. Examples include the Agriculture GP’s Agriculture Intelligence Observatory and an in-crisis analytics data desk operated jointly with the Poverty GP.

103. The FCV Group has also facilitated cross-Bank discussions at technical and managerial levels to define the GCRP agenda. This effort has included establishing a working group with DEC, CRO, and GPs to develop the GCRP’s risk monitoring agenda, geared initially toward better quantitative and qualitative modeling of the linkages among macro-fiscal, conflict, natural disaster, famine, and pandemic risks. A working group on financing with representatives from various units has identified priorities and potential gaps for the Bank’s work on financing solutions for crisis risk management. In addition, FCV is leading the development of the FAM, in close collaboration with multiple Vice Presidential units and supporting the CEO’s oversight and coordination of the Bank’s response to the Ebola outbreak in DRC. Firming up and implementing the GCRP agenda will require sustained efforts across various Bank Group units, dedicated attention to evolving risk dynamics by top management, and support from a dedicated team.

B. Strengthening GCRP Organizational Arrangements

104. The GCRP will serve as a platform to better leverage the WBG’s rich experience, expertise, and ongoing efforts in the area of crisis risk management, while pioneering new solutions to make the WBG’s support for clients more comprehensive and proactive. As a network of operational and corporate units, the GCRP’s primary focus will be to strengthen “horizontal” collaboration, learning, and information-sharing across sectors and Regions and strengthening synergies between existing and new workstreams across the Bank. For Regions and CMUs, which are primarily responsible for working with GPs and GTs to help client countries

---

55 World Bank 2016b.
manage crisis risks, the GCRP, with its access to a community of experts from across the Bank, offers a resource to more efficiently obtain on-demand services. The GCRP will operate in alignment with the ADM, under which the responsibility for client engagement rests with the RVPs and CMUs, which are closest to where crisis risks occur and which have deep knowledge of the country and sectoral contexts.

105. **To ensure continued focus on crisis-management-related issues and in particular to trigger early preventive action, the GCRP will include dedicated meetings at Senior Management levels.** The CEO will convene quarterly meetings of relevant WBG leaders to assess selected crisis risks and high-risk situations. Drawing on experience in addressing the 2017 famine crisis, the CEO will also convene the platform as needed to support crisis response based on criteria such as cross-regional impacts and country coping capacity. Only the most severe or complex crises will be escalated to GCRP meetings, with others addressed through existing mechanisms. A regular meeting at the director level with representatives from relevant CMUs, GP/GTs, and corporate units will discuss brewing risks that, individually or in combination, threaten to become crises. These meetings will also serve as a forum for information-sharing and, as needed, consultations on cross-sectoral issues and proposed new initiatives, to ensure coherence with existing mechanisms and instruments. Beyond the regular senior-level meetings, other workstreams and more ad hoc discussions could prove useful. Further, there may be scope to include external actors (e.g., select UN agencies, civil society organizations) in periodic GCRP meetings, either at the technical level (working groups) or at higher levels, as necessary.

106. **A small team, housed in the FCV Group but separately staffed, will be established to provide support to the core functions of the GCRP.** Experience suggests that a dedicated organizational entity is needed to ensure that the Bank maintains a focus on effective crisis management at all times, especially when specific crisis situations ebb. This is consistent with IEG findings that weaknesses in internal coordination in some cases hindered achievement of desired results in the field. The chief contribution of this dedicated team will be to collect and integrate risk monitoring information and analytics from across the WBG and external partners, convene regular meetings of relevant Bank Group staff to discuss specific crisis risk scenarios and identify actions needed to mitigate these risks, and ensure agreed action points are completed in a timely and effective manner. The GCRP’s dedicated team will carry out its work in close collaboration with other relevant corporate and regional units and their designated GCRP focal points.

C. Cost Implications

107. **It is expected that the incremental costs related to the operationalization of the GCRP will be absorbed through existing budget and/or resources from trust funds.** Certain donors have expressed interest in supporting the GCRP initiative. Such support would be channeled through existing trust funds and in line with on-going trust fund reform. Any additional costs necessary to establish and operate the platform would be discussed in the context of the Bank’s strategic planning process. A costed proposal would need to be tabled for consideration, including details of the requested staffing complement. Given the constrained budget environment, any Bank budget funding pressure will be subject to regular W governance, without a guarantee that additional funding will be available.

---

56 IEG 2017a.
1. Table A1 outlines six domains of crisis risks: natural hazards, health, political/security, economic, technological, and societal. The table also identifies second-order risks associated with each domain. This is a statement of causality, not importance: these risks may be intensified by an initial shock, and can cause additional, subsequent shocks. For example, the outbreak of civil war may cause population displacement, which in turn may spark an infectious disease outbreak. The final columns indicate whether a family of risk types can generally be prevented, or whether coping strategies and preparedness can mitigate the impact of a shock once it has occurred. The GCRP taxonomy consists of systemic risks that are shared by most (or all) members of a society, rather than individuals, households, or localities.

**Table A1. A Taxonomy of Systemic Crisis Risks**

<table>
<thead>
<tr>
<th>Domain</th>
<th>Hazards (illustrative)</th>
<th>Potential second-order hazards (illustrative)</th>
<th>Trends amplifying risk (illustrative)</th>
<th>Risk can be prevented</th>
<th>Vulnerability can be mitigated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural hazard</td>
<td>• Earthquake*</td>
<td>• Famine ◊</td>
<td>• Climate change</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Severe weather events (e.g. typhoon) *</td>
<td>• Disease outbreaks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Drought◊</td>
<td>• Intercommunal conflict</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Tsunami*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>• Epidemic / pandemic outbreak*</td>
<td>• Social unrest ◊</td>
<td>• Demographic change (population growth)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>• Establishment (endemicization) of emerging disease◊</td>
<td>• Population displacement</td>
<td>• Increasing travel and trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Rise in chronic disease◊</td>
<td></td>
<td>• Declining global poverty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political/security</td>
<td>• Civil war onset*</td>
<td>• Population displacement</td>
<td>• Urbanization</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Coup*</td>
<td>• Famine ◊</td>
<td>• Resurgent nationalism</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Protracted political crisis◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• State collapse◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Terrorism*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic/financial</td>
<td>• Currency crisis*</td>
<td>• Social unrest ◊</td>
<td>• Increasing trade and financial interdependence</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>• Bank solvency crisis*</td>
<td>• Mass protest ◊</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Asset price collapse◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mass unemployment◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological</td>
<td>• Cyberattack*</td>
<td>• Banking crisis ◊</td>
<td>• Diffusion of ICT</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Critical infrastructure failure*</td>
<td>• Political crisis</td>
<td>• High unemployment/informal economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Data breaches*</td>
<td>• Population displacement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Societal</td>
<td>• Population displacement (influx or outflow)◊</td>
<td>• Civil war onset</td>
<td>• Demographic change (population growth, youth bulges, etc.)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>• Violent crime◊</td>
<td></td>
<td>• Urbanization</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Intercommunal violence◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Social unrest ◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mass protest ◊</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* = typically fast-onset risk  
◊ = typically slow-onset risk  
○ = variable onset speed
2. **Risk has a temporal dimension.** Adverse shocks are not necessarily fast. While hazards like earthquakes and tsunamis generate shocks that inflict damage within minutes or hours, other shocks unfold more gradually. Droughts often unfold over multiple growing seasons. While some epidemics, such as the Middle East Respiratory Syndrome outbreak in South Korea are (relatively) short, acute crises, “long-wave” infectious disease shocks such as HIV/AIDS diffuse over several years. Other risks exhibit variable onset speed. Forced displacement, for example, is sometimes rapid and acute, while in other instances it takes place in a steadier, more prolonged fashion. Slow-onset risks can be distinguished from long-term trends: changes in the world that can influence (among other things) the probability and severity of various risks. For example, the expansion of urban slums is a trend rather than a risk, but it may affect the probability and severity of risks such as epidemic outbreaks.

3. **Risk also has a spatial dimension.** A negative shock may occur in a limited geographic area or be global in scale. Some risks can spread if their negative impacts are not mitigated: for example, communal violence can scale from isolated incidents to affect entire countries and even spread across borders, while isolated diseases can cascade into pandemics. Thus it is important to distinguish between the scale of a shock itself and its subsequent impacts, as spillovers may dramatically amplify the scope and impact of a shock.

4. **Internal discussions suggest that the initial priorities for the GCRP for ex-ante analytic work** will be the interactions among macro-fiscal, conflict, natural disaster, and health/pandemic risks, and ways to prepare for or mitigate them. That said, it is also clear that CMUs may be interested in further customized work, which the GCRP will provide as resources allow.
Annex B. A Changing Crisis Landscape – Key Facts, Trends, and Impact

1. More than one billion people have lifted themselves out of poverty in the past 15 years, but risks from both natural and human-caused crises threaten these hard-won gains. The rate of natural and human-caused crises has increased significantly over the last few decades (see Figures B1-B4).\(^{57}\) The rate of hydrological, climatological, and meteorological disasters has nearly tripled (Thomas and López 2015), as has the number of infectious disease outbreaks (Smith et al. 2014). The incidence and prevalence of armed conflict has risen sharply since 2010 (World Bank 2017a). Global economic losses from disasters average some US$300 billion a year (UNISDR 2015), but these losses are not distributed evenly. Recent World Bank analysis shows that disasters hit the poor the hardest, as poor people have more precarious livelihoods and limited savings and assets to draw upon in times of economic stress. It is also estimated that natural disasters drive 26 million people into poverty every year (Hallegatte et al. 2017).\(^ {58}\) Including human-made crises, such as violent conflict or economic shocks, would yield a much higher number.

---

57 Natural catastrophes include droughts, earthquakes, wildfires, and severe weather—meteorological disasters including extreme temperatures (cold wave, heat wave, severe winter conditions), fog, and storms (convective storm, extra-tropical storm, tropical cyclone) (source EM-DAT 2017). Conflicts refer to incidents in which armed force was used by an organized actor against another organized actor, resulting in at least 25 battle-related deaths in one calendar year. Wars refer to incidents in which armed force was used by an organized actor against another organized actor, resulting in at least 1,000 battle-related deaths in one calendar year (source UCDP 2017). Refugees include individuals recognized under the 1951 Convention relating to the Status of Refugees; its 1967 Protocol; the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa; those recognized in accordance with the UNHCR Statute; individuals granted complementary forms of protection; or those enjoying temporary protection. Since 2007, the refugee population also includes people in a refugee-like situation (source UNHCR 2017).

58 See also Independent Evaluation Group 2017a.
2. **Financial crises occur irregularly but inflict lasting damage on developing economies and the poor.** As a result of the financial and economic crisis of 2008-09, average GDP growth among client countries declined from 6 percent in 2005–07 to 1 percent in 2009. It has been estimated that the total output loss of such crises averages 3.4 – 8 percent in developing countries. These shocks have direct impacts on poverty. The 2008-09 crisis increased the number of people living on US$1.25 a day by an estimated 64 million (World Bank 2010). If income per capita continued to grow at the weak pace observed in recent years, by 2030 extreme poverty would remain notably above the Bank’s 3 percent target.

3. **Pandemics pose an increasingly serious threat to global health and development.** The emergence and outbreak of diseases that can spark pandemics appear to be increasing in frequency, driven by urbanization, global economic integration, climate change, and other factors (Smith et al. 2014, International Working Group on Financing Preparedness 2017). Increasing travel and trade mean that infectious disease outbreaks are more likely to spread before they can be detected and contained, raising the risk that an isolated outbreak will cascade into a regional or global public health crisis.

4. **The impact of a pandemic outbreak can be very high, directly affecting growth and indirectly increasing deaths from preventable illness.** The economic disruption caused by the Ebola outbreak reduced GDP growth by an estimated 2.1 percent in Guinea, 3.4 percent in Liberia, and 3.3 percent in Sierra Leone (World Bank 2014). The economic costs of the 2015-2016 Zika infection in the Latin America and Caribbean region have been estimated to range from US$555 million to US$4.7 billion (Das and Friedman 2016). World Bank estimates are that a severe pandemic caused by an airborne pathogen like influenza could reduce global GDP by 4.8 percent, or more than US$3.6 trillion (Burns, Van der Mensbrugghe, and Timmer 2006), and that the deaths from such a pandemic would be disproportionately concentrated among low-income countries (Madhav, Oppenheim, and Gallivan 2017).

5. **Violent conflict has risen sharply over the past decade.** In 2016, violent conflict affected more countries than at any time in nearly 30 years (World Bank 2017a). Conflict has increased in intensity as well as incidence. The number of reported battle-related deaths has risen sharply since 2010 to the highest levels recorded in 20 years. The geography of conflict is also evolving, and violence afflicts middle-income countries as well as poor ones. The Ukrainian crisis, for example has claimed more than 9,000 lives.

6. **Conflict inflicts economic damage similar to that stemming from severe natural catastrophes and financial crises, and it raises the risk of additional violence.** Violent conflict is associated with a 2–4 percent reduction in annual GDP growth, while detriments to growth associated with “severe conflict” can total as much as 8.4 percent (World Bank 2017a). Stalled growth increases unemployment, which can raise the risk of additional crime and even armed conflict. The indirect effects of conflict—such as the destruction of health infrastructure, children losing access to years of schooling and human capital development, and psychological and societal trauma—can act as lasting drags on human development and well-being (World Bank 2011).

7. **Other forms of political and societal instability have increased in frequency and damage.** Globally, violent crime is on the decline, but in some countries it has reached epidemic...
levels and causes absolute levels of mortality on par with armed conflict (Geneva Declaration Secretariat 2015; Small Arms Survey 2016). There is evidence that terrorism is on the rise, with the burden of violence concentrated in countries already experiencing armed conflict (OECD 2016). Mass protests have risen sharply over the past decade (Carothers and Youngs 2015), and while some protests fade or are suppressed, these events can spark violence and initiate periods of profound political change and instability, as demonstrated by the effects of the Arab Spring.

8. **Forced displacement has surged since 2011, driven mainly by increases in armed conflict.** Roughly 65 million people—nearly 1 percent of the global population—is forcibly displaced by conflict or other forms of persecution (UNHCR 2016). Nearly two-thirds of the forcibly displaced are internally displaced persons who have not left their country of origin. The remaining third, or roughly 24 million refugees, accounts for the second-largest refugee crisis since the Second World War. The refugee crisis is highly visible in Western Europe, but the burden of forced displacement falls most heavily on developing countries (World Bank 2017b).

9. **Large inflows of displaced persons can strain health, education, and social services in host communities.** Without adequate investment, refugee inflows can raise the risk of infectious disease outbreaks, including the introduction of new or previously eradicated diseases (World Bank 2017b). Because refugee flows are driven by violent conflict, they are unlikely to diminish in the near to medium term, as ongoing violence and instability in a number of countries—such as Afghanistan, Syria, Iraq, and South Sudan—is likely to continue driving forced migration and inhibiting prospects for return.

10. **Food price shocks significantly affect global poverty, and the risk of famine persists, especially in fragile and conflict-affected situations.** Over the last decade, multiple global food price shocks have led to large increases in poverty, malnutrition, and asset loss. In 2008 and 2011, sharp increases in global food prices kept an estimated 105 million people in poverty and pushed another 50 million into poverty (Global Monitoring Report 2012). Food price shocks can be driven by a number of factors related to climate, trade policy, speculative trading, and biofuel production. Violent conflict also can disrupt food production and markets, contributing to price shocks and famine, as was demonstrated in 2017’s food security crisis in South Sudan, Yemen, Somalia, and Northeastern Nigeria. Factors that drive food price shocks are likely to intensify in the future.

11. **Technological crises pose a growing risk for developing countries.** The diffusion of ICT across developing economies has unlocked opportunities for poor communities but has also raised the risk posed by cybercrime and national cyberattacks that result in economic and even political disruption. Developing countries are more likely to rely on legacy IT infrastructure and unregistered software packages that have unaddressed vulnerabilities. While all countries face cybersecurity risks, many developing countries lack dedicated agencies, skills, strategies, and robust regulatory frameworks focused on cybersecurity (World Bank 2016d), leaving them vulnerable to legacy IT infrastructure and online threats and increasing the potential impact of cyberattacks. Such attacks can affect government and critical services as well as the private sector. In 2017 the “WannaCry” global ransomware attack affected hospitals across the United Kingdom, halting care in some facilities. Similar events could damage service delivery in low-income countries.
ANNEX C. PRELIMINARY STOCKTAKING OF THE BANK’S CURRENT APPROACH TO CONTEXTUAL RISK ASSESSMENTS AND RISK MONITORING

1. The Bank has developed and/or is working in partnership on a range of monitoring and diagnostic tools and processes to understand and monitor contextual risks and crises, and assess their impact at the global, regional, and country levels. These tools, which span the risk management cycle, are used ex-ante to identify, assess, and monitor risks, as well as ex-post to assess damages and impact. The Bank has also developed innovative approaches to monitor risks and collect data in active crisis situations, including ongoing conflict. The current institutional toolbox includes cross-country risk assessments and monitoring mechanisms; country- or region-level diagnostics, modeling, and planning tools; impact assessments; dynamic risk monitoring mechanisms; and innovative methods for data collection. The Bank also has a sophisticated system for monitoring operational risks. The following sections provide an overview of the tools in use.

Box C1. Assessing Macro-fiscal Risks: the EFI Macro-Financial Review and Risk Index

The Macro-Financial Review is a semiannual internal WBG publication that offers an integrated assessment of major macro-financial trends, themes, and linkages at the intersection of the fiscal, macro, and financial areas that may pose major challenges to stability and development in client countries. By periodically monitoring emerging key macro-financial risks and vulnerabilities, the Review seeks to keep Senior Management and staff abreast of critical developments and to help assess the need to adapt strategic priorities and client engagement to achieve superior socioeconomic outcomes (e.g., the twin goals).

The Review’s comparative advantage derives from leveraging cross-GP efforts – particularly the Bank’s day-to-day work and contact with clients – and in-depth staff knowledge of interconnected thematic areas. The Review is a key output of the joint FCI and MTI GP Macro-Financial Monitoring Secretariat to promote coordination among GPs and other WBG units in their assessment of, and response to, macro-financial risks and vulnerabilities that transcend traditional GP boundaries. The Review combines qualitative staff risk assessments with the EFI Macro-Financial Risks Index and a country-by-country Heat Map that tracks real and financial sector risks along nine distinct dimensions for 42 emerging markets and developing economies, as well as broader macroeconomic risks and conditions underpinned by roughly 60 indicators. Drawing on this analysis, the Risks Index helps to signal which of the nine risk dimensions pose the greatest threat at a given time.

Box C1.

A. Cross-country Multidimensional Risk Monitoring for Prevention and Preparedness

2. Monitoring economic and financial risks is core to the Bank Group’s mandate, and mechanisms for that monitoring are strongly embedded in the Bank’s internal architecture. In 2016, the WBG introduced the EFI Macro-Financial Review, which provides a regular overview of global macro-financial risks based on qualitative and quantitative assessments (see Box C1) and includes a Corporate Vulnerability Index that monitors the financial conditions of the nonfinancial corporate sector. The Bank also has internal mechanisms for analyzing and discussing economic and financial risks, including the Short-Term Risk Monitoring Group, a forum led by the Chief Risk Officer that monitors short-term vulnerabilities of the Bank’s client countries to various sources of systemic risks, ranks countries by risk categories, and reports the findings regularly to Senior Management. The Global Brief to the President, prepared by DECPG and MFM at least once a month, identifies key risks – “hot spots” – of systemic importance to the global economy, as well as domestic and external developments that pose short-term crisis risks to client countries. The Bank works closely with the IMF on a range of economic and financial issues, especially on systemic issues such as crisis response coordination.
3. **The Bank also monitors several other domains of risk, with systems that are most developed in the context of food insecurity and natural disasters.** The Bank relies on a wide range of internal (e.g., the Food Price Crisis Observatory) and external sources with global coverage (e.g., the Famine Early Warning Systems Network), and partnerships (e.g., the Agricultural Market Information System) to monitor food prices and analyze food insecurity. The Agricultural Observatory, designed to strengthen the WBG’s ability to forecast agriculture-related risks, is currently being developed. The Bank leverages both external tools and an internal toolkit to identify and monitor the countries that are most vulnerable to natural hazards. Disaster risk country profiles have been developed in more than 50 countries to assess the potential human and economic impacts of natural hazards. A global platform, ThinkHazard!, provides, for any given location, a general view of the hazards that should be considered in project design and implementation to promote disaster and climate resilience. The tool highlights the likelihood of different natural hazards (very low, low, medium, and high), and provides guidance on how to reduce the impact of these hazards and where to find more information. The hazard levels are based on published data, provided and updated by a range of private and public organizations.

4. **OPCS is leading analytic work to identify options for upper-middle and middle-income small states to mobilize increased resources to manage their vulnerability.** As part of this work, OPCS is exploring the feasibility of operationalizing a vulnerability matrix for upper-middle and middle-income small states.

5. **IFC, as the WBG private sector arm, has its own internal and confidential methods for tracking country risks, which include both quantitative and qualitative tools.** IFC’s risk ratings are based on macroeconomic, institutional, political, and banking sector data, as well as on interactions and consultations with IFC, Bank, and MIGA country experts. These ratings do not track the risk that IFC’s clients face, but rather the overall macro risks to IFC from each country.

B. **Country-level Diagnostic and Risk Assessment Tools and In-crisis Monitoring**

6. The Bank’s cross-country assessments are complemented by a range of contextual risk assessment tools that are used at the country or regional level across different sectors. The Macro Poverty Outlook, jointly produced by the Poverty & Equity and Macroeconomics & Fiscal Management GPs, provides a birds-eye view of major forecast variables, historical and forecast data for GDP, its major components, inflation, the current account, and the government deficit and debt, as well as a brief discussion of critical challenges for future economic growth, macro stability, and poverty reduction. It is complemented by tools that assess risks related to debt sustainability and fiscal stability. The WBG (FCI), working with the IMF, is also providing comprehensive

---

59 The external sources the Bank commonly relies on for monitoring food insecurity include the Famine Early Warning Systems Network (FEWS NET), the UN FAO’s Global Data and Early Warning System (GIEWS), Agricultural Market Information System, Global Agricultural Monitoring (GEOGLAM), NASA’s Earth Observing System (EOS), WFP’s Alert for Price Spikes (ALPS), FAO’s Food Price Monitoring Analysis, and IFPRI’s Food Security Portal.

60 www.thinkhazard.org.

61 The joint Bank-Fund Debt Sustainability Analysis framework assesses risks of debt distress, based on the current debt profile and subject to stress testing potential shocks (exchange rate, interest rate, growth, exports, domestic
assessments and in-depth analyses of countries’ financial sectors (so-called Financial Sector Assessment Programs, or FSAPs). FCI also prepares and delivers Crisis Simulation Exercises to central banks to monitor the risks in a country’s financial system. In the education sector, the Education Resilience Approaches program provides contextual analysis of resilience processes in education systems based on local data on adversity, assets, school-community relations, and education policies and services in adverse contexts. In FCV situations, Risk and Resilience Assessments serve as a cross-sectoral diagnostic instrument to understand drivers of fragility and resilience and inform the preparation of Systematic Country Diagnostics (SCDs) and other country assessments. In the area of cybersecurity, the Bank has adopted the Cyber Security Capacity Maturity Model to understand the gaps in countries’ preparedness in facing cyberthreats. Working with partners, the Bank has also prepared an online assessment tool—part of a broader Toolkit on Capacity Building to Combat Cybercrime—to measure a country’s preparedness to combat cybercrime and identify priority areas for strengthening its capacity to combat cybercrime.

7. The Bank also uses various tools to evaluate the potential or real impact of shocks on welfare and has deployed a range of innovative data-collection methods in crisis settings. These tools vary depending on the type of shock. In a macroeconomic crisis, country economists use the Macro-Fiscal Model, which includes country-level models for more than 150 countries, to rapidly estimate the potential impact of crises on key indicators of macroeconomic stability, such as debt sustainability, prices, economic growth, and external accounts. Micro-simulation models have the potential to predict the poverty and welfare impacts of crises ex-ante and estimate such impacts in the absence of ex-post household survey data. In Brazil, data from 2015 were used to predict the poverty impacts of the crisis in 2016 and 2017. In the absence of annual household survey data, satellites were used to estimate the poverty impacts of the economic crisis in Venezuela. Several surveys have been implemented in crisis contexts, such as the Ebola outbreak in Liberia and Sierra Leone and economic and financial crises in Tajikistan and Africa, and others provide real-time tracking of macroeconomic indicators in South Sudan and Somalia.

8. Risk modeling, country profiling, and analytical assessments can be applied to monitor risk and assess the impact of different types of hazards. Operational teams regularly apply risk models to generate critical information that informs CMUs of immediate hazards and of the economic and human impacts of rapid-onset disasters that have occurred. In at least 50 countries as diverse as Afghanistan, Guatemala, Madagascar, and the Russian Federation, the Bank has used innovative risk models to provide damage information to national stakeholders. Another example of risk modeling is the Bank-supported Central America Probabilistic Risk Assessment, which created a free, open-source risk assessment platform to integrate risk information into policies and investment programs.

---

revenues). The Toolkit for Assessment of Fiscal Risks examines fiscal sustainability risks implied by specific public-private partnership projects and concession arrangements.

The goal of the FSAP is twofold: to gauge the stability and soundness of the financial sector and to assess its potential contribution to growth and development. The FSAP includes a financial stability assessment, which is the responsibility of the IMF, and a financial development assessment under the responsibility of the World Bank. To date, more than three-quarters of the institutions’ member countries have undergone assessments.

This model was developed by the Global Cyber Security Capacity Centre of Oxford University in collaboration with international experts, including the Bank. It is currently being piloted in seven countries with the support of a grant from the Government of Korea.
9. Damage and Needs Assessments have been deployed in response to natural disasters and high-intensity conflict. GSURR has been developing new methods and data sources to assess the physical damage and impact of natural disasters and damage from conflicts. These assessments analyze physical damage and its impact on key services, using remote sensing and satellite images to overcome challenges of access. While the rapid overview of the physical impact of high-intensity conflict is no substitute for on-the-ground data collection and assessments, it can offer important entry points for immediate investments while more elaborate assessments and analyses of social, economic, and institutional dynamics are carried out. More than 50 post-disaster needs assessments have also been jointly supported by the Bank with the UN system and the European Union over the past decade in response to natural disaster and conflict resolution efforts.

10. The Bank is also engaging with partners to support joint assessment and strategic planning processes in fragile and post-crisis situations. Recovery and Peacebuilding Assessments (RPBAs) support coordinated reengagement in countries that are emerging from conflict or political crisis. RPBAs offer a standardized and internationally sanctioned approach to identify the underlying causes and impacts of conflict and crisis, and to help governments develop a strategy to prioritize recovery and peace-building activities over time. RPBAs have been used successfully in a number of countries and regions, such as Ukraine (2014-15), Northern Mali (2015), North-East Nigeria (2015-2016), and Central African Republic (2016).

11. To promote innovative data initiatives and further the Bank’s crisis monitoring capabilities, a crisis data desk has been launched under the leadership of the FCV Cross-Cutting Solutions Area and GP Poverty. This initiative has begun to support rapid data collection in emergency situations – as in Somalia, South Sudan, Nigeria, and Yemen – and to help strengthen micro-data collection systems to better detect emerging crises earlier.

C. Country-based Dynamic Risk Monitoring Systems

12. In an increasingly dynamic and interconnected world, where risks are constantly evolving and changing, it is necessary for the Bank to use dynamic monitoring tools. In macroeconomic monitoring, MFM country economists routinely screen macro, fiscal, structural, and macro-financial developments to assess client countries’ overall performance and macroeconomic sustainability. This monitoring, often done in collaboration with the IMF, can indicate potential signs of financial instability or economic crisis. Similarly, in the disaster space, there is a recognition that changing hazards and exposure and vulnerability to risks—for example, with climate change and urbanization—call for dynamic and probabilistic analysis that assesses future risk, rather than actuarial data about past occurrences.

13. Beyond regular qualitative analysis, there is growing demand for more dynamic country-based risk monitoring systems to inform Bank teams about evolving contextual risks and their portfolio implications. There is a particular demand for such systems in humanitarian crisis situations and countries affected by high levels of conflict and violence. Recent examples include the South Sudan Geospatial Risk Monitor and the UN-World Bank partnership in Somalia, which offers an example of a successful information risk-pooling partnership in a crisis setting.
ANNEX D. OPERATIONAL AND FINANCIAL RISK MANAGEMENT

1. The GCRP focuses on how the Bank can further address and mitigate crisis-related risks pertaining to clients. This annex discusses briefly how the Bank addresses operational and financial risks as part of its corporate risk management framework, although this is not central to the GCRP or the agenda set out in this paper. The World Bank Group views risk management processes as dynamic and responsive to market, credit, product, operational, and other developments. Figure D1 illustrates how financial and operational risks are managed within the risk management structure (see Figure D1).

Figure D1. Operational and Financial Risk Management Structure

2. Financial risk and operational risk are key risk areas for the Bank. Financial risk encompasses not only country credit risk, but also market and counterparty risk. The Bank addresses country credit risk by assessing its capital adequacy, determining overall country programs and lending operations, and evaluating new financial products. These risks can be distinguished further as idiosyncratic, correlation, and concentration risks. The second aspect of financial risk, market and counterparty risk, includes issues relating to the Bank’s liquidity, exchange rate, and interest rate risks, and to counterparty credit risk. Operational risk relates to failed internal processes, people, systems, and external events that can cause reputational damage, among other concerns.

3. Processes to manage financial and operations risks—risk identification, assessment, response, risk monitoring and reporting—operate across three “lines of defense”: (a) business units or “risk owners” that take the initial lead in managing risks in their own areas; (b) oversight by the Vice President and WBG Chief Risk Officer (CRO); and (c) independent oversight by internal auditors. Three departments report directly to the CRO and help lead the assessment of these various risks: the Credit Risk Department, the Market and Counterparty Risk Department, and the Operational Risk Department. Additionally, several risk committees provide structure for promoting transparent reporting, issuing guidance, and making decisions (not applicable to all) concerning actions that influence the Bank’s susceptibility to these risks (see Figure D2).
4. **IFC, like the Bank, has internal and confidential methods to track country risk for the corporation at the country level.** It uses quantitative and qualitative tools that produce an outcome-measuring risk at the country level. Country risk indicators are used to assess the overall riskiness of IFC projects (real and financial sector) through the Investment Risk Platform, and they serve as an input into the pricing methodology for loans. IFC’s Treasury also uses country risk ratings in the Liquid Asset Management program as one of the main criteria to expand sovereign debt investments into emerging countries. Finally, risk ratings are part of the calculation of Country Exposure Limits and even supplement cost-benefit analyses of lease versus purchase of real estate in the field (for IFC country offices). Risk ratings are determined using macroeconomic, institutional, political, and banking sector data, as well interactions and consultations with other country experts in IFC, the World Bank, and MIGA. These ratings do not track the risk that IFC’s clients face, but rather the overall macro risks to IFC from each country.
1. The Bank has experience working at multiple levels on prevention and resilience before crises hit, and responding rapidly and effectively to crises once they occur. Global Practices lead programs across a range of risk domains, including natural and environmental disasters, social vulnerabilities, and fiscal and financial shocks. Addressing the risks of fragility, conflict, and violence (FCV) has also emerged as a central theme in the Bank Group’s corporate agenda, as evidenced in the doubling of concessional core support to FCS/FCV under IDA18 and an overall commitment to increase programming to address country-level fragility risks. Across each of these spheres, CMUs leverage their policy dialogue with governments to promote resilience-building reform, including during the immediate response to crises, which often present important opportunities to advance needed reforms.

Box E1. Creative Use of a Development Policy Operation with a Deferred Drawdown Facility

To respond to a crisis, Bank teams can use existing products creatively in pursuit of specific development objectives. This was the approach when Indonesia was hit by the food, fuel, and financial crises.

Indonesia was in a relatively strong position when the global financial crisis struck in September 2008: real GDP growth had been at a 10-year high of 6.3 percent in 2007. But October 2008 saw a 32 percent decline in the stock market and a 17 percent depreciation of the rupiah against the US dollar. Indonesia’s international reserves, which had reached a high of US$60 billion, fell by nearly US$10 billion by the end of the month. On March 3, 2009, the World Bank approved a unique US$2 billion development policy loan (DPL) with a deferred drawdown option (DDO) for Indonesia.

The DPL DDO is a contingent credit line that allows the borrower to rapidly meet its financing requirements following a shortfall in resources due to adverse economic events such as a downturn in economic growth or unfavorable changes in commodity prices or terms of trade. The borrower may defer disbursement of the DPL for up to three years (renewable for an additional three years). Indonesia itself imposed conditions for withdrawal related to market access, in terms of pre-specified parameters.

The DPL DDO was the largest component in a US$5.5 billion contingent financing facility in which the Governments of Australia and Japan and the Asian Development Bank also participated. The facility contributed to improving market sentiment: Indonesia was one of the first countries to issue a bond in the international capital markets during the crisis and got better terms than it would have achieved without the facility. Between September 2008 and March 2009, Indonesia raised over US$6.3 billion through five bond issuances in the capital markets.


2. The Bank has devoted considerable effort to helping countries promote macroeconomic stability and absorb fiscal and financial risks. WBG support played a central role in helping countries respond to the food price crisis of 2007-08. During the global economic crisis that followed soon thereafter, the Bank played a strong role in facilitating countries’ access to financing to offset fiscal contractions, preserving public spending in key social sectors and helping countries implement reforms to enhance fiscal stability over the longer term. Indeed, between FY09 and FY10, World Bank lending operations with financial sector content spiked to 106 loans for 57 countries, with total commitments exceeding US$28 billion, about 27 percent of its total lending. The interventions included creative use of Bank instruments (see Box E1).

---

64 Independent Evaluation Group 2017a.
3. In the area of disaster risk management (DRM), the Bank’s approach is based on reducing and managing conditions of hazard, exposure, and vulnerability, in combination with pre-agreed post-disaster plans backed by effective financial protection measures. The GSURR-led Small Island States Resilience Initiative is building a community of practice among World Bank and national DRM experts and delivering scaled-up support for climate adaptation efforts in small island states. In Afghanistan, DRM activities are being integrated into the Citizens’ Charter project to build risk management capacity while at the same time strengthening governance and social cohesion. The Bank is also heavily invested in post-disaster responses in FCV settings, as in Myanmar, Nepal, and Pakistan. Beyond dedicated emergency recovery projects, community-driven development has proven to be an effective platform for addressing post-disaster needs in countries like Myanmar, Indonesia, and the Philippines.

4. The Disaster Risk Finance and Insurance Program is helping over 60 countries structure and access disaster risk finance and insurance solutions that leverage the capital and expertise of the private sector to enhance the management of disaster and climate risks. The program, led by FCI in collaboration with GFDRR, also provides analytical, advisory, and financial services to assist governments in planning ahead to manage the cost of disasters, ensure predictable and timely access to needed resources, and mitigate long-term fiscal impacts. A recent example of the program’s success is the Kenya Livestock Insurance Program, an agriculture insurance program supported by the Finance & Markets GP that protects pastoralists from the impacts of drought. In February 2017, the insurance was triggered and paid out £1.7 million to 12,000 pastoralists in one of the largest-ever agriculture insurance payouts to smallholder herders in Africa.

5. Education represents another area in which resilience has emerged as a key theme in the Bank’s programmatic engagement. The Education Resilience Approaches program in the Education GP provides clients with contextual analysis of resilience processes in education systems based on local data to help them preserve children’s access to education following a shock. It seeks to fill the evidence gap for improving the quality and relevance of education services in crisis situations as well as to prevent or prepare for adversity. Another program, the Global Program for Safer Schools, works to make schools and the communities they serve more resilient to natural hazards by reducing the physical impact of hazards on school infrastructure, minimizing disruption to educational services, and saving lives.

6. In health, critical work is under way to improve the prevalence and quality of crisis prevention and programming. Joint External Evaluations have been carried out in 37 countries, and 32 more are planned in the next 18 months. These evaluations provide objective assessments of pandemic preparedness across 19 different domains, and help identify the programming and financing needed to fill key gaps. They will guide the Bank as it works to deliver its IDA18 commitment to support at least 25 countries in developing pandemic preparedness plans and multisectoral governance frameworks for health emergency preparedness, response, and recovery. Further, and in alignment with ongoing efforts on Joint External Evaluations, the WBG-Japan Universal Health Coverage Initiative provides US$5.5 million in grants to promote universal coverage in 11 target countries and strengthen their core capacity in pandemic preparedness and response to help deliver health-related commitments under IDA18. In addition, through the

---

65 Sands 2017.
RESOLVE initiative at Vital Strategies and through the Rockefeller Foundation, the Bank has mobilized resources to help countries strengthen their pandemic preparedness.

7. Gender has emerged as a key cross-cutting component of the Bank’s crisis-related programming. Several innovative initiatives are tackling crises or crisis risks that impose particular challenges on women and girls, including related to famine, gender-based violence (GBV), and conflict more broadly. Programming has also begun to help women living in at-risk areas seize opportunities to improve their economic livelihoods—for example, by supporting women entrepreneurs who launch businesses to strengthen resilience, foster civic engagement, and enhance the ability of their communities to respond in the face of shocks (see Box E2).

Box E2. Recent Examples of Gender-focused Initiatives in Crisis Contexts

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WeMENA</strong></td>
<td>A business model challenge for women entrepreneurs in the Middle East working on innovative and financially sustainable private sector solutions to address challenges in urban resilience. Financed by GFDRR, the WeMENA project supports female entrepreneurs in facing stresses and shocks, by investing in challenges ranging from food security to health care and civic engagement.</td>
</tr>
<tr>
<td><strong>The State and Peacebuilding Fund</strong></td>
<td>Allocated US$1.0 million in FY17 to help task teams cover the cost of including a GBV component in their operations. As of end-August 2017, 16 proposals were approved for five regions, including a proposal to address GBV in the post-hurricane context in Haiti.</td>
</tr>
<tr>
<td><strong>The $200 million Multi-Sectoral Crisis Recovery Project</strong></td>
<td>Approved in March 2017 features a comprehensive gender component. The conflict in Nigeria has disproportionately affected women and girls as targets of violence, including through sexual and gender-based violence, abduction by armed groups, forced displacement, and increased burdens as household breadwinners. To address the needs of both women and men, the project uses sex-disaggregated surveys and gender focus groups to adopt a gender-sensitive approach.</td>
</tr>
<tr>
<td><strong>The Yemen Emergency Crisis Response Project</strong></td>
<td>Will provide short-term employment, access to basic services, and emergency cash transfers to the poorest and most vulnerable 1.5 million households in the country; the majority of the beneficiaries are women, elderly people, and orphans.</td>
</tr>
<tr>
<td><strong>A Global Sexual and Gender Based Violence Platform</strong></td>
<td>Financed by SPF and led by GSURR, aims to advance our knowledge on the issue and supports operations. For example, in Nepal, the Integrated Program for GBV Prevention and Response supports a national helpline for GBV victims. GBV prevention and response in FCV settings include the first dedicated IDA operation – the Great Lakes Emergency Women’s Health and Empowerment Project – led jointly by GP Health and GSURR.</td>
</tr>
</tbody>
</table>

8. In regard to cybersecurity, as part of ICT projects the Bank routinely finances the client country’s establishment of a Cyber Security Emergency Team (CERTs) or Cyber Incidence Response Team (CIRT). The core objective of CERTs and CIRTs is to detect major cyber incidents, analyze threats, and exchange cybersecurity information with national stakeholders and global partners. They are critical to monitoring incidents, and to cyber-prevention and response. CERT/CIRTs require a highly skilled team and specialized equipment and software platforms. The Bank is also actively engaged in financing and providing technical advice on cybersecurity policy, regulatory frameworks, capacity building, and technological solutions. CERT FIRST is a global forum for incidence response and security teams and is the highest level of international recognition a CERT can achieve. Several WB client countries are members of CERT FIRST ([https://www.first.org](https://www.first.org)). The Bank’s first engagement in establishing a CERT was in Sri Lanka under the e-Sri Lanka investment lending project. In Bhutan, the Bank financed establishing a CERT and building capacity, provided advice on policy, and further strengthened
the regulatory environment for CERT operations. In Tunisia, the World Bank supported the creation of Tunisia CERT, the first African CERT to become member of CERT FIRST. Most recently CERTs were financed in Bangladesh and Uganda, and a CERT is included in the scope of Digital Malawi and e-Burkina Faso projects.

9. **A growing amount of crisis-related programming is taking place in the area of social protection.**66 The number of developing countries with social safety net programs rose from 72 in 2000 to 179 in April 2017.67 Recognizing that the poorest, most vulnerable groups often bear the brunt of crises, the Social Protection, Labor, and Jobs GP has adopted an approach that links short-term crisis assistance with long-term resilience-building interventions. This work has generated a vibrant stream of analytical and operational work on safety nets and adaptive social protection (ASP). ASP provides a flexible approach to building safety nets that centers on the identification and registration of poor and vulnerable households and building flexibility in project design and implementation so social safety nets can expand quickly to respond to crisis risks. Shock-responsive social protection systems build resilience by providing a form of insurance that smooths consumption, supports livelihoods, and combats poverty and vulnerability at the household level.

10. **The Bank is drawing on growing experience with adaptive social safety nets and implementing preventive innovations in key areas of basic service delivery.** It has begun to leverage the ASP initiative to help CMUs promote social safety nets in their policy dialogue with client governments, and to support programming that enables countries to rapidly expand targeted assistance to affected populations when crisis hits. Several encouraging examples have emerged in this regard. In Uganda, the US$180 million Northern Uganda Social Action Fund III project features a US$12 million Disaster Risk Finance component that automatically scales up the project’s labor-intensive public works activities to provide additional support to vulnerable households in the immediate aftermath of a natural disaster. Encouraging ASP approaches have also emerged to preserve or create jobs during times of crisis, particularly for youth (see Box E3).

**Box E3. Jobs for Youth Matter in Crisis Prevention and Response**

Adaptive support for safety nets can safeguard welfare in times of crisis and prevent dissaving and other adverse coping decisions. In addition, the Bank’s work also recognizes that in crisis management, jobs matter – in particular, jobs for youth. Loss of jobs in crisis costs young workers experience and savings (Mueller, Piemontese, and Tapsoba 2016). Conversely, supporting job opportunities in crisis can avoid discontent and destabilization by providing a meaningful activity, earnings, social standing, and self-regard (World Bank 2011). Hence, ASP programs have evolved jobs elements. In Mali, for instance, grants for income-generating activities have been added to a successful cash-transfer program. In MNA, jobs programs are an important part of the response to the ongoing Syrian refugee crises. For example, investment climate reforms promoted through Jordan’s recent Economic Opportunities PforR loan aim to enhance job opportunities for both Jordanian workers and Syrian refugees. In Lebanon, a volunteer program that targets communities hosting Syrian refugees aims to support young workers with employment and training opportunities. Such support for jobs supports recovery from political crises, but also can foster recovery and help maintain stability in the wake of natural disasters and pandemics. In Sierra Leone, a labor-intensive public works project seeks to alleviate Ebola impacts. In Nepal, large investments in housing and infrastructure help communities repair earthquake damage while also fostering labor demand.

---

66 Social protection systems are often developed as part of broader poverty alleviation programs, but many are also being adapted to help targeted groups cope with shocks.
Box E4. Strengthening Prevention and Preparedness in the Pacific Islands

**Addressing Drivers of Fragility in the Pacific Islands through Prevention and Preparedness…**

<table>
<thead>
<tr>
<th>Institutional Capacity</th>
<th>Youth, Urbanization</th>
<th>Climate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target spending on capacity building/implementation support &gt;10%.</td>
<td>Youth employment, vocational training (e.g. Solomon, PNG, Tonga).</td>
<td>Target 35% climate finance.</td>
</tr>
<tr>
<td>Investment in improved information on the vulnerable and poor to design social protection programs.</td>
<td>Nutrition/Noncommunicable Diseases</td>
<td>Integration of climate resilience considerations across sectors (e.g. roads and maritime infra).</td>
</tr>
<tr>
<td>Centralized fiduciary support unit (e.g. Kiribati, Vanuatu) or technical support unit (e.g. Tonga Aviation).</td>
<td>Policy notes (PNG, Timor).</td>
<td>Financial instruments to address all layers of risk – catastrophic risk insurance (e.g. Pacific Catastrophe Risk Assessment and Financing Initiative [PCRF], fast-disbursements after emergencies (DPO, CAT DDO, CERCS (e.g. Fiji DPO, Republic of Marshall Islands [RMI]), Pacific Islands Resilience Program [PIREP] 2).</td>
</tr>
<tr>
<td>Support from regional organizations (e.g. Fisheries and Resilience).</td>
<td>Public Financial Management for health, DFOs (e.g. Solomon Islands, PNG, Tuvalu).</td>
<td>Preparedness, coastal protection and infra resilience program (e.g. PIP).</td>
</tr>
<tr>
<td>Training on project fundamentals and on project management (in a central location twice yearly; adapted from Vietnam model) and on safeguards (Pacific Safeguards Learning Center).</td>
<td>PCI approaches (e.g. Solomon Islands, PNG).</td>
<td>Gender</td>
</tr>
<tr>
<td>Enhanced implementation support and face time (e.g. Pagan New Guinea [PNG] Road).</td>
<td><em>Democratization projects</em></td>
<td>Target 100% gender analysis</td>
</tr>
</tbody>
</table>

**Nutrition/Noncommunicable Diseases**
- Policy notes (PNG, Timor).
- Public Financial Management for health, DFOs (e.g. Solomon Islands, PNG, Tuvalu).
- PCI approaches (e.g. Solomon Islands, PNG).

**Gender**
- Target 100% gender analysis
- Gender-focused actions through policy (e.g. Tonga DPO) and operations (e.g. CBV tracking/code of conduct in aviation and energy; economic opportunities (e.g. gender impacts of seasonal Workers Program; study on gender and agriculture in PNG and Solomon Islands)

**Land**
- *Democratization projects*


11. **Fundamental to the Bank’s work on ASP is the importance of building institutions, systems, and strategic partnerships ex-ante to enable a safety net to be deployed and expanded quickly if a crisis occurs.** This means, for example, pre-crisis work to establish systems for identification/targeting, enrollment, payment, and grievance redress. It also means investing in the capacity of institutions that would need to implement and scale up social safety net programs during a period of crisis. Although these lessons have emerged clearly in the domain of social protection, they also speak to one of the most important aspects of crisis-related strategic programming in any domain—that investing in the programs and institutions needed to respond to various forms of crisis should be done well before a crisis occurs. Institutional assessments undertaken by the Governance GP help enhance understanding of the institutional context of incentives and accountability structures within sectoral programs, such as social protection, education, and health. Strengthening partnerships with humanitarian and development actors is also central to the ASP approach, as it can prove fundamental to delivering critical support in low-capacity, FCV environments where governments can become overwhelmed by a crisis event.

12. **Settings affected by FCV are at the center of programmatic efforts to enhance institutional and societal resilience.** The Bank has engaged across the spectrum of fragility (see Box E4 for the recent example of the Pacific Islands) and conflict, addressing both the root causes and negative impacts of conflict and helping to strengthen public institutions and state-society relations. The Bank has also become increasingly engaged during active conflict situations, using both IPF and policy-based lending. Iraq offers a good example of this evolution. In 2016, the Bank pledged to commit US$250 million for rapid reconstruction efforts in areas liberated from Daesh, aiming to help renew the social contract between citizens and the state in these areas. In December 2016, the Bank leveraged donor-backed guarantees from the United Kingdom and Canada to
increase the size of a DPL from US$1 billion to US$1.44 billion and provide critical budgetary support as the Government grappled with the dual economic crises sparked by low oil prices and the war against Daesh. The DPL will also be used to promote vital reforms to strengthen fiscal sustainability and public sector efficiency to improve the livelihoods of the Iraqi people and their confidence in the Government. Both efforts – the rapid reconstruction operation and the more recent DPL – demonstrate the Bank’s increasing focus on providing agile support to help countries better manage conflict and the attendant crisis risks.

13. **GPs are also designing projects in FCV settings to support conflict-to-peace transitions and prevent interpersonal violence.** Through the Collective Reparation for Victims through Social Reconstruction Project, GSURR provides technical assistance to help the Government of Colombia deliver reparations to victims of the country’s decades-long conflict. The project is an intersectoral approach to implementing and learning from small-scale initiatives that target violence prevention, citizen security, reconciliation, land restitution, and help to establish a foundation for peace-building and development. GSURR also leads the Transitional Demobilization and Reintegration Program (TDRP), and now its recent successor the new Global Program on Reintegration Support, which has anchored the Bank in a key leadership role for disarmament, demobilization and reintegration. The TDRP mobilized more than $40 million and reached over 250,000 direct beneficiaries, and together with previous initiatives has expanded over the last 25 years to more than 25 programs across 20 nation-states and several regional initiatives.

14. **GSURR and Governance GP have provided technical assistance and operational support to post-conflict governments in addressing land governance issues, often as part of peace settlements and economic recovery efforts or for displaced populations.** Activities include mapping of land tenure, resolution of land-related disputes, promotion of registration of tenure rights and enhancing access to land tenure for vulnerable persons, including women and minorities (e.g., in Colombia, Cyprus, Syria, and Eastern Europe). Land restitution, reform, and administration operations supported the peace accords in El Salvador and will support implementation of the recent peace agreement in Colombia.

15. **GSURR also leads the Violence Prevention Global Team that brings together over 10 GPs as well as the IFC to support knowledge and violence monitoring.** For example, the National Violence Monitoring System in Indonesia; the Bangsamoro Conflict Monitoring System in the Philippines; the Cameroon Conflict Monitoring Platform; and the Ukraine data platform on peacebuilding and recovery (under development). GSURR is also supporting client governments in designing crime and violence observatories in the LAC Region.
Annex F. Geo-Enabling and Third-Party Monitoring for Smart Supervision and Monitoring

1. As the World Bank expands its operations in countries affected by fragility, conflict, and violence (FCV), the achievement of the twin goals will be threatened by high levels of insecurity. This challenge is especially relevant for the delivery of IDA18, which provides a unique opportunity to intervene at scale when countries are transitioning out of conflict, help de-risk private investments, and assist countries with large numbers of refugees. Given severe constraints such as dangerous conditions in the field and limited data, creative approaches to supervising projects (‘‘smart supervision’’) will be paramount for the success of World Bank interventions.

2. These approaches to smart supervision in FCV consist of finding new ways of getting ‘‘eyes and ears on the ground’’ in highly insecure environments. They range from remote sensing via satellites to geo-enabling of project portfolios, partnerships with humanitarian and security actors, and third-party monitoring (TPM). This annex discusses geo-enabling and TPM as part of the wider panoply of instruments available for both smart project supervision by Bank staff, and smarter implementation by clients.

Geo-Enabling: Building Capacity in the Use of Simple and Low-Cost ICT Tools for M&E, Remote Supervision, TPM, and Portfolio Mapping

3. While technology cannot fully compensate for inadequate Bank access, these tools can significantly enhance both project design and supervision by Bank staff and project implementation and monitoring by clients. The many benefits of ICT-driven solutions include (a) facilitating more targeted and timely programming; (b) helping the Bank execute its due diligence functions, including verifying and accounting for results; (c) decreasing the costs of TPM (discussed below); (d) empowering implementing agencies to more efficiently and effectively track project progress while strengthening their institutional capacity; (e) encouraging and tracking beneficiary engagement and feedback; and (f) enhancing client accountability.

4. The FCV Group supports efforts to systematically ‘‘geo-enable’’ the active and pipeline portfolios in client countries facing fragility and conflict. Given the significant physical access constraints in many FCV contexts, there has been urgent demand by project teams for solutions to remotely supervise operations and improve the capacity of clients to conduct accountable and well-structured M&E. In response to this demand and to close information gaps in areas with limited access, the FCV Group, in cooperation with the Geospatial Operations Support Team, launched the ICT-based Geo-Enabling Initiative for Monitoring and Supervision (GEMS). A central element of the method is to use ‘‘simple-enough’’ and low-cost ICT tools and procedures that are appropriate for the most fragile environments with low capacity.

5. The GEMS method enables project teams to use open source ICT tools for in-field collection of structured digital data that automatically feeds into a centralized M&E system. The integrated data can include any kind of indicators, based on tailor-made forms; photos, audio, videos; time and date stamps; and GPS coordinates that allow for automated geo-mapping of the information. Using these tools systematically allows operations to enhance the transparency and
accuracy of M&E and increase the accountability of TPM. Moreover, it provides WBG GPs and CMUs with a platform for remote supervision, real-time safeguards monitoring, and portfolio mapping for coordination across projects and partners.

6. **As of May 2018, GEMS has been implemented in six FCV CMUs, and over 300 project implementation unit (PIU) staff and 35 projects have received customized capacity-building training.** Examples of its use in the field include remote supervision and enhanced M&E of project implementation, safeguards tracking, beneficiary engagement, and security assessments in DRC, Haiti, Niger, Northeast Nigeria, Northern Mali, South Sudan, and Pakistan.

**Box G1. Summary of the Geo-enabling Methodology**

- **Systematic use of common ICT tools** (smartphones, tablets) to remotely monitor interventions in near real-time, verify in-field conditions, and directly feed structured field data into a project M&E platform.
- **Data recorded automatically** includes the precise date, time, location, GPS accuracy, and photographic evidence of in-field activities, as well as qualitative and quantitative project and survey data.
- The method allows for **quick, easy, and semi-automated remote verification** of activities in areas that are inaccessible for Bank staff, to enhance the accountability of PIU and TPM activities (“monitor the monitors” approach).
- The technology is designed for application in **remote contexts with limited capacity** and weak digital infrastructure and has been successfully used in countries like Afghanistan and South Sudan.
- The field data collection works fully off-line, and **neither Internet nor phone network access is required.**
- The system is **easily replicable and scalable to cover entire country portfolios** within and across sectors. Collected geographic bottom-up data can be integrated with top-down data from remote sensing, big data sources, and spatial information provided by partners to contextualize project interventions. Technically, the method requires the setup of smartphones, digital accounts for questionnaire creation and back-office analysis, and capacity-building training delivered to client PIUs and project teams.

7. **While this methodology is particularly valuable for operations that face access limitations, Bank units and clients can use it in any context to more effectively target, plan, and remotely supervise operational engagement.** It has helped to provide TTLs and CMUs with a common operating picture, and it allows them to quickly react to changing conditions. The added transparency and accountability that this tool provides through effective remote supervision in real-time may also contribute to more confidence in operating in high-risk areas – and help increase the Bank’s footprint in precisely the areas that are most in need of development.
Box G2. Implementation of the GEMS Methodology in Azerbaijan

The Azerbaijan Rural Investment Project (AzRIP) is a community-driven development project that has been implemented since 2005 at about 2,000 individual sites in rural areas across the country. In early July 2017, the AzRIP M&E system was geo-enabled by establishing a systematic approach for collecting location data, project indicators, and photos from the field. The aim of the exercise has been to enhance the effectiveness of the M&E system and allow for real-time tracking and visualization of the project’s scope and impact through an interactive mapping application.

The system has enabled the project management unit to finalize the collection of comprehensive M&E data from all 1,996 individual project sites, including GPS tags and embedded pictures from the field, within two weeks. The M&E data have since been integrated into an interactive web map that will be used as a communications tool for engaging with the government and population of Azerbaijan. Moreover, the capacities that have been built within the project management unit will serve for monitoring all implementation activities of the ongoing project and enhancing the M&E system of subsequent operations in Azerbaijan.

Example visualization: Excerpt from the interactive AzRIP M&E mapping application

---

**Third-Party Monitoring (TPM) for Smart Supervision**

8. **TPM is an approach to smart supervision in which the Bank contracts an independent agent to verify that project implementation by the recipient complies with the provision of the financing agreement.** Under TPM, the Bank transfers the physical risk to a monitoring agent, but it does not delegate the responsibility of its own supervision obligation. This annex presents a succinct overview of recent World Bank experience with TPM, discussing key terms, data, and emerging trends, as well as lessons learned from task teams and CMUs involved in TPM.

9. **The use of TPM in World Bank financed projects has been increasing, albeit on an ad-hoc basis.** Consequently, information on terms of reference, costs, vetted providers, and the
number of projects using TPM in FCV is not available in a single database. The FCV Group is in the process of creating such a repository of evidence and to this end has held multiple consultations with task teams and CMUs. The preliminary results, summarized in Table G1 and Figure G1, present a low-range estimate for IDA and IBRD countries:

Table G1. Active and Closed TPM Contracts Dashboard: 2015-2019

<table>
<thead>
<tr>
<th>FCV countries (IBRD+IDA)</th>
<th>Projects and programs (including MDTFs)</th>
<th>Portfolio monitored (US$ billion)</th>
<th># of TPM contracts</th>
<th>TPM costs (US$ million)</th>
<th>Median TPM contract value</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>26</td>
<td>6.3</td>
<td>16</td>
<td>51.5</td>
<td>2</td>
</tr>
</tbody>
</table>

**Disclaimer:** Numbers are preliminary and based on consultations with task teams. The portfolio monitored is calculated by adding the cost of individual projects. For multidonor trust funds (MDTFs), the team attempted to identify the specific projects that are covered by TPM, but this was not always possible and the MDTF envelope was used as a proxy wherever more disaggregated data could not be found. These figures should be treated as rough approximations. Dates for TPM contracts vary, with most being concentrated in the 2015-2019 period. Two closed TPM contracts were identified for 2012 (Iraq) and 2013 (Yemen) and are included in this table.

Figure G1. What is the Relative Cost of TPM? (2015-2019)

10. **As Figure G1 shows, there is tremendous variation in the cost of TPM per contract.** Contracts range from a US$222 million contract in Afghanistan to monitor projects financed by the Afghanistan Reconstruction Trust Fund between 2015 and 2018, to a US$1.5 million contract in Yemen to perform spot checks for infrastructure projects between 2012 and 2015. So far, the World Bank has spent US$51.5 million on TPM against investments totaling US$6.3 billion (Figure G1, left-hand side). In IDA countries, the Bank has spent US$42.5 million on active TPM contracts (Afghanistan, Pakistan, Cameroon, Somalia, South Sudan), 97 percent of which comes from trust funds. TPM responsibilities also vary. In the Boko Haram-affected areas of Northern Cameroon, a TPM provider is monitoring social and environmental risks stemming from a transport project implemented by the Army Corps of Engineers. In Afghanistan and Somalia, TPM agents verify fiduciary, procurement, and technical requirements for infrastructure in projects financed by multidonor trust funds.
11. The evidence on the effectiveness of TPM in FCV settings is still preliminary. According to an initial review of external\textsuperscript{68} and WBG literature\textsuperscript{69} and consultations with task teams, opportunities and risks range from the benefit of access to insecure areas and the need to ensure compliance with fiduciary obligations, to potential conflicts of interests and informational opaqueness about the TPM providers’ real abilities (see Box G3).

**Box G3. Advantages and Disadvantages of TPM in Insecure Areas**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maintaining presence in active conflict, quick re-engagement in post-conflict settings where Bank staff access remains highly constrained.</td>
<td>• Difficulty in assessing the quality and accuracy of TPM reporting, as TPM providers often subcontract to local organizations.</td>
</tr>
<tr>
<td>• Cross-validating government reporting and the potential to create partnerships between local and international TPM providers, especially if they come from academia or civil society.</td>
<td>• Reputational risks, as TPM agents do not always present themselves to beneficiaries as independent of the government, and may deliberately downplay security risks.</td>
</tr>
<tr>
<td>• Ensuring fiduciary compliance and detecting fraud through the physical verification of assets, as well as the verification of eligible expenditures under MDTFs.</td>
<td>• Blurred accountability lines driven by complex contracting arrangements or the geographic extent of program and projects.</td>
</tr>
<tr>
<td>• Ensuring an independent perspective on safeguard implementation, especially given that most TPM agents display strong technical skills but weak qualitative assessment skills.</td>
<td>• Conflicts of interest related to the degree to which TPM providers are part of the local political economy, the composition of the TPM team, or the degree to which a TPM agent is under contracts with multiple principals to verify tasks performed for the Bank and for the government.</td>
</tr>
<tr>
<td>• More frequent data gathering in areas that are remote and subject to security limitations. Data systems built on the basis of TPM reports can inform policy in line ministries that are charged with project implementation and thus strengthen M&amp;E systems.</td>
<td>• Liability of the World Bank to legal actions brought against TPM providers hired by the Bank.</td>
</tr>
<tr>
<td>• Using ICT to drive down costs, as even in highly insecure areas mobile network penetration can enable the geo-location of project sites in remote monitoring with satellite imagery.</td>
<td>• Unclear costs, underestimating of costs at the level of commissioning, the costs of triangulating and verifying information received, and cost variations due to the degree to which expatriates are involved.</td>
</tr>
<tr>
<td>• Offering a measure of last resort when the government is suddenly unable to carry out monitoring responsibilities.</td>
<td>• Overreliance on TPM can undermine the client’s own reporting. Task teams can avoid this situation by supporting strong M&amp;E systems.</td>
</tr>
<tr>
<td>• Increasing donor confidence in the integrity of projects, especially when they are funded through an MDTF.</td>
<td></td>
</tr>
</tbody>
</table>

---

\textsuperscript{68} Sagmeister et al. 2016.  
\textsuperscript{69} World Bank 2017e.
REFERENCES AND BIBLIOGRAPHY


__________. 2011b. “Ministerial Council, Vilnius 2011, Second day of the Eighteenth Meeting MC (18) Journal No. 2, Agenda Item No. 8; Decision No. 3/11 Elements of The Conflict Cycle, Related to Enhancing the OSCE’s Capabilities in Early Warning, Early Action, Dialogue Facilitation and Mediation Support, and Post-Conflict Rehabilitation.” Vienna, OSCE.


