



**IDA19**

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**Building Back Better:  
Pursuing a Greener, More Inclusive, and Resilient Recovery**

**Development Finance, Corporate IDA & IBRD (DFCII)**

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## ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30  
Calendar Year (CY) = January 1 to December 31

ASP	Adaptive Social Protection	ID4D	Digital Identification for Development
BBB	Build Back Better		
CAT-DDO	Catastrophe-Deferred Drawdown	IEG	Independent Evaluation Group
CDD	Community-driven Development	IFC	International Finance Corporation
CERC	Contingency Emergency Response Component	IMF	International Monetary Fund
CPF	Country Partnership Framework	JET	Jobs and Economic Transformation
CRW	Crisis Response Window	NBSAP	National Biodiversity Action Plans
DLP	Debt Limits Policy	NDC	Nationally Determined Contribution
DPO	Development Policy Operation	OECD	Organisation for Economic Co-operation and Development
DRC	Democratic Republic of Congo	PPP	Public-Private Partnership
DSSI	Debt Service Suspension Initiative	PSW	Private Sector Window
EU	European Union	RW	Regional Window
FCV	Fragility, Conflict and Violence	SDFP	Sustainable Development Finance Policy
FCS	Fragile and Conflict-affected Situations	SFSP	Sudan Family Support Program
FSAP	Financial Sector Assessment Program	SME	Small and Medium-sized Enterprises
FY	Fiscal Year	SOE	State Owned Enterprises
GBV	Gender-based violence	SUW	Scale-Up Window
GDP	Gross Domestic Product	UHC	Universal Health Coverage
HCI	Human Capital Index	UN	United Nations
HC PEIR	Human Capital outcome-oriented Public Expenditure and Institutional Review	WBG	World Bank Group
HCR	Human Capital Review	WHR	Window for Host Communities and Refugees
IDA	International Development Association		

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## EXECUTIVE SUMMARY

i. **The world's poorest countries face the dual challenge and opportunity of responding to COVID-19 and *building back better* (BBB) as they restore progress towards the 2030 Agenda.** COVID-19 is a deeper, more synchronized, and more widespread shock than any in the history of the International Development Association (IDA). It continues to reverberate, causing significant destruction, and producing spillovers with regional and global implications. The crisis is also compounding the challenges of jobs and economic transformation (JET), climate change and conflict. At the same time, COVID-19 is spurring profound changes in the way people work and live, and the way economies are organized – highlighting the importance of resilient and inclusive approaches to development, the opportunities provided by digital development, the value of robust health, education and social protection systems, and the role of effective government and community leadership. IDA countries now face the *twin challenge* and opportunity to: (a) rapidly repair the historic damage to development gains whilst (b) adapting to the changes in a transformed world, including by building the resilience and inclusion needed to withstand future shocks including climate change, health and natural disasters, conflict, and economic disruption. This entails delivering on immediate responses in the relief and restructuring stages while maintaining a line of sight to long-term goals with greener, more inclusive and resilient recovery strategies.

ii. **For IDA countries, BBB therefore means the pursuit of a *greener, more inclusive and resilient recovery from the COVID-19 crisis*.** These inter-related elements are critical for IDA countries to make sustained progress toward the Sustainable Development Goals (SDGs) in a world where shocks occur more frequently with compounded impact. While conditions vary across countries, the crisis has highlighted three fundamental needs going forward. First, in the face of recession, mass unemployment, and changes to behavior, preferences, trade, and supply chains, countries need to find ways to *restore sustainable growth and put large numbers of people back to work* in ways that are greener, that leverage a digital transformation, and that seize opportunities created by the crisis. Second, in the face of mass poverty, exclusion, and the regressive impacts of compound crises, there is a need and opportunity to *build equity and inclusion* and address structural inequalities, including by leveraging technology for more robust and inclusive delivery of health, education, and social protection. Third, the crisis has highlighted the role of government and the need for governments to *step up with policies, investments and structural reforms* that tackle an increasingly complex agenda to achieve macroeconomic, environmental and social sustainability. Countries that address these needs will more likely prosper in a post-COVID world.

iii. **Looking forward, BBB requires support and resources well beyond what IDA countries can mobilize themselves or what development partners are currently providing.** As a result of the dual challenge, client needs are far greater than was envisaged during the IDA19 replenishment. BBB also requires affordable financing to absorb upfront costs so as to benefit from the larger economic benefits over time. To rebuild better in an uncertain world and restore progress to the 2030 Agenda, IDA countries call for exceptional support from the international community, including IDA. Responding to that call is in the shared interest of all IDA Members.

iv. **IDA resources have supported *green, inclusive, and resilient solutions* since the onset of the crisis, and before it.** IDA operations in health, social protection, disaster risk management, and financial preparedness, to name a few, have strengthened institutions and increased resources

that are now being mobilized. The IDA19 framework, its Special Themes and Cross-cutting Issues, are thus prescient to today's challenges. Interventions underway provide a solid foundation upon which to selectively scale up BBB efforts. Looking forward, IDA's capability to scale up BBB interventions and seize new opportunities has never been more important. Yet IDA resources have already been partially used to provide exceptional support in the early stages of the crisis, and more will be used to finance the acquisition and delivery of vaccines for the poorest countries, an essential element and pre-requisite for a successful recovery. Thus, IDA19 concessional finance – including much-needed grants – for the BBB agenda is severely constrained in FY22 and FY23.

v. **With additional resources, IDA can scale up and accelerate its support for countries to pursue a greener, more inclusive, and resilient COVID-19 recovery.** There is strong client demand for IDA19 resources to BBB: demands are converging on emerging focus areas within the IDA19 Special Themes and Cross-cutting Issues. On *JET*, IDA countries need to enact deeper structural reforms to restore, create and expand markets to seize opportunities in the post-pandemic world, including by expanding digital and green economy solutions, stimulating inclusive value chains, and saving viable firms and associated jobs. On *Climate Change*, there is scope to deepen support for national climate and biodiversity action plans. There are significant opportunities to scale up green infrastructure, strengthen climate resilience and capacity at the local level, and build monitoring systems to identify emerging risks and issue early warnings that then integrate with adaptive social protection (ASP) systems. On *Gender*, there are opportunities to close the digital divide, support women's return to economic activity, redouble efforts on girls' education, and scale-up gender-based violence (GBV) prevention and response programming. IDA is being asked to scale-up interventions that address the fast backsliding that women and girls are experiencing on many fronts, build their resilience, and ensure their inclusion in the recovery. On *Fragility, Conflict and Violence (FCV)*, risks are rising, and client needs are vast, so there are significant opportunities for IDA to help tackle FCV drivers through the recovery process, in addition to acute needs on food security. On *Governance and Institutions*, countries need to step up a suite of reform actions that restart growth and promote equity, including to deepen green tax reform, promote voice and accountability for BBB investments, strengthen infrastructure governance, and innovate through GovTech. On *Human Capital*, the crisis has redoubled demand for interventions that strengthen social service delivery, especially to expand the use of ASP to build resilience to various shocks. There is also strong demand for interventions to strengthen health and education systems for a more robust systemic approach to human capital development. On the *inclusion agenda*, the crisis has raised voices for greater social inclusion, citizen engagement and open dialogue, creating opportunities to ensure that the recovery leaves nobody behind, including people with disabilities. On *Debt Sustainability*, additional resources would support ongoing efforts including the Sustainable Development Finance Policy (SDFP) and Debt Service Suspension Initiative (DSSI) to incentivize countries to pursue a sustainable debt path. On *Digital Development*, opportunities abound but IDA countries are far behind: they need a surge of help to close the digital divide so that technology can be a force multiplier for better service delivery and inclusive growth.

vi. **This paper outlines how IDA can support countries to build back better from the crisis.** Section A notes the destruction underway in IDA countries, resulting in large and growing needs. *Section B* unpacks BBB concepts and why it is crucial to invest in BBB approaches now. *Section C* describes how IDA has been supporting clients to pursue green, inclusive and resilient solutions during the crisis and before it, highlighting the needs and gaps created by the crisis and

the areas of client demand where IDA could selectively scale up. *Section D* proposes a way forward, using the IDA19 framework. IDA has a track record of tackling the most complex problems in an integrated and synergetic manner, together with partners. It offers a ready vehicle to help drive IDA countries toward a *greener, more inclusive, and resilient recovery*.

## I. THE DESTRUCTION COVID-19 IS CAUSING IN IDA COUNTRIES

1. **COVID-19 is a deeper, more synchronized, and more widespread shock than any other in IDA’s history.**<sup>1</sup> The pandemic is escalating in IDA countries, likely at faster rates than reported. Adding to the health crisis, IDA countries have been plunged into a deep recession that will leave lasting scars through lower productivity growth and potential output, disrupted trade linkages, and unprecedented job losses and human capital losses, particularly among people who were already vulnerable. This will make it much harder for countries to return to inclusive growth even after the acute shocks recede.<sup>2</sup> Reversing 20 years of progress, poverty in IDA countries is now rising fast, erasing gains made in IDA18 and part of IDA17, as the crisis lowers incomes and worsens inequality. COVID-19 is projected to push around 32 to 46 million more people in IDA countries into extreme poverty in 2020. Maternal and child mortality are set to rise significantly, while school closures are deepening learning poverty. Decades of hard-won progress on gender equality are coming undone, and there has been a disturbing rise in GBV. Meanwhile, the challenges of conflict, climate change and JET have not abated: rather, they compound the crisis and render the task of recovery more complex. Food insecurity, already affecting several IDA countries, could evolve into a widespread and protracted food crisis. Before the crisis, fiscal space in most IDA countries was severely constrained and debt vulnerabilities were high. Now, government revenues are falling faster than gross domestic product (GDP), further constraining countries’ response efforts. The shocks continue to reverberate, and the crisis is becoming more protracted than many had feared. As a result, the needs in IDA countries are far greater than was envisaged during the IDA19 Replenishment and continue to rise each day. Risks remain heavily tilted to the downside amid uncertain prospects for recovery. The risk of regional and global spillovers is significant and growing. See *Update on the Deepening Effects of the COVID-19 Crisis in IDA Countries* for detailed analysis on backsliding in IDA countries.

## II. THE CHALLENGE AND OPPORTUNITY TO BUILD BACK BETTER

2. **In the face of this calamity, IDA countries seek ways to *build back better as they recover*.** BBB in this context draws heavily on the BBB concept developed in response to the destruction caused by natural disasters (see Box 1). IDA countries already faced difficult challenges pre-COVID-19, so it would not suffice to rebuild in the image of the past. Nor is it possible: COVID-19 has transformed the world, creating complexities, risks and opportunities. The crisis is spurring profound changes in the way people work and live, and the way economies are organized, highlighting the critical importance of resilient and inclusive approaches to development, and underscoring the role of high-speed, dense digital networks; robust health, education and social protection systems; and effective government and community leadership. In this new world, achieving sustainable development progress has become harder and more

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<sup>1</sup> See “Update on the Deepening Effects of the COVID-19 Crisis in IDA Countries”, World Bank, October 2020, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/471981603208959928/update-on-the-deepening-effects-of-the-covid-19-crisis-in-ida-countries>.

<sup>2</sup> See Reversals of Fortune: World Bank, October 2020: <https://openknowledge.worldbank.org/bitstream/handle/10986/34496/9781464816024.pdf>.

complex. IDA countries now face the *dual challenge to: (a) repair as quickly as possible the historic damage to development gains and (b) adapt to the changes transforming the world*, including by building the resilience and inclusion needed to withstand future shocks including climate change, health and natural disasters, conflict, and economic disruption. It entails maintaining a line of sight to long-term goals, while continuing to deliver immediate responses in the relief and restructuring stages.

### Box 1. The Building Back Better Concept

The term ‘Build Back Better’ originated in the Sendai disaster management framework of 2015 as a holistic concept to generate resilience through well-balanced disaster risk reduction measures, including restoration of infrastructure, revitalization of livelihoods and the economy, and the restoration of local culture and environment.<sup>a</sup>

The 2018 World Bank “Building Back Better Report” outlined how to build back *stronger* (more productive, more resilient), *faster* (limiting the impact of shocks) and *more inclusively* (ensuring nobody is left behind).<sup>b</sup> The report showed that BBB tools, such as financial preparedness and ASP, can reduce the impacts of disasters by one-third, saving the world \$173 billion per year in avoided damages, in addition to the broad economic benefits.

This concept is now being used to guide strategies and support recovery from the COVID-19 crisis. The Organisation for Economic Co-operation and Development (OECD) emphasizes doing more than getting economies and livelihoods quickly back on their feet, through recovery policies that trigger investment and behavioral changes that will reduce the likelihood of future shocks and increase society’s resilience when they do occur. For the OECD, a central dimension of BBB is the need for people-centered recovery that focuses on well-being, improves inclusiveness, and reduces inequality, together with long-term emission reduction goals, resilience to climate impacts, slowing biodiversity loss, and increasing circularity of supply chains.<sup>c</sup> The European Commission’s €750 billion Next Generation European Union (EU) Recovery Fund aims to help EU Member States to recover through channels that contribute to get Europe back to its feet, to accelerate the twin green and digital transitions and build a fairer and more resilient society.<sup>d</sup>

<sup>a</sup> The United Nations’ Sendai Framework for Disaster Risk Reduction was agreed on at the Third United Nations (UN) World Conference on Disaster Risk Reduction held on March 14–18, 2015, in Sendai, Japan.

<sup>b</sup> Hallegatte, S.; Rentschler, J.; Walsh, B. 2018. Building Back Better : Achieving Resilience through Stronger, Faster, and More Inclusive Post-Disaster Reconstruction. World Bank, Washington, DC.

<sup>c</sup> “Building Back Better: A Sustainable, Resilient Recovery after COVID-19”, OECD, June 2020. For civil society examples, see Mean Business Coalition (2020), <https://www.wemeanbusinesscoalition.org/build-back-better/> and World Resources Institute (2020), <https://www.wri.org/coronavirus-recovery/>.

<sup>d</sup> Europe’s moment: Repair and Prepare for the Next Generation”, COM/2020/456, and “The EU Recovery Fund: Building Back Better in a Post-COVID-19 World”, <https://www.globalelr.com/category/european-environmental-and-public-law/>.

3. **For IDA countries, BBB therefore means the pursuit of a greener, more inclusive and resilient recovery from the COVID-19 crisis.** These inter-related elements are essential for IDA countries to make sustained progress toward the SDGs in a transformed world where shocks occur more frequently with compounded impact. While specific conditions vary across IDA countries, the crisis has highlighted three fundamental needs going forward. First, in the face of recession, mass unemployment, and changes to behaviors, preferences, trade, and supply chains, IDA countries need to find ways to *restore sustainable growth and put large numbers of people back to work* in ways that are greener, that leverage the digital transformation, and that seize opportunities created by the crisis. Second, in the face of mass poverty, exclusion, and the regressive impacts of compound crises, there is a need to *build equity and inclusion* and address structural inequalities, including by leveraging technology for more robust and inclusive social service delivery on health, education, and social protection that leaves nobody behind. Third, the crisis has highlighted the role of government and the need for governments to step up performance



and *pursue policies, investments and structural reforms* to tackle an increasingly complex agenda to achieve macroeconomic, environmental and social sustainability.

4. **There are compelling reasons to pursue a ‘BBB approach’ in country-level response from the onset of the crisis.** A BBB approach helps countries to *maintain a line of sight to long-term development goals*, which is critical even when focusing on saving lives and livelihoods in the relief stage. Emergency actions to stem contagion, such as closing schools and workplaces, have been supported by IDA interventions such as cash transfers to cushion the impact of income losses and remote learning tools to stem the human capital losses. Similarly, labor-intensive projects can be complemented with policies and investments to green sectors over time. And while the need to accelerate digital transformation has been made more acute, it also offers longer-term solutions to improve service delivery. A focus on BBB helps *avoid the serious risk of policy errors in the early stages of responses that have lasting consequences*, such as the relaxation of environmental regulations when providing relief to firms, or neglecting to ensure that emergency interventions to maintain public services (such as utilities) sustain private investor confidence. By pursuing a BBB approach, IDA countries can also *address climate change resilience objectives*, as expressed in their Nationally Determined Contributions (NDCs) and implement their National Biodiversity Action Plans (NBSAPs) for the protection and sustainable use of global biodiversity resources and the local services that nature provides, from water filtration to flood control. Taking a BBB approach can strengthen the climate dimensions of food security and strengthen climate resilience at the local level for instance, through community-driven development (CDD). BBB principles help optimize the benefits of government stimulus and recovery packages by *channeling finance to areas that foster both fiscal and environmental sustainability*. For example, low fuel prices present an historic opportunity to reform perverse incentives and reallocate budgets in favor of social expenditure or greener, more resilient investments. It can also bring compounded multipliers by aligning market expectations on the recovery and crowding in private investment for a greener future.<sup>3</sup> Lastly, a BBB approach means that, while fighting this pandemic, countries strengthen systems *to prevent new pandemics and reinforce preparedness to respond to shocks and stressors*, such as natural disasters and FCV. It entails *targeting resources to vulnerable areas* where exclusion, FCV, and climate impede inclusive growth.

5. **BBB approaches generate large economic benefits but often have significant up-front costs.** For example, studies of transport, energy, and water systems suggest that each \$1 invested in making new infrastructure assets more resilient saves \$4 over the lifetime of the assets.<sup>4</sup> Expanding a social protection system brings long-term economic benefits, resilience and self-reliance to its beneficiaries, but it too comes with investment needs, for instance to create new delivery mechanisms and social registries. Similarly, better landscape management can deliver large economic benefits, including avoided flood losses and improved agricultural productivity, but landscape restoration takes time and resources. While more resilient systems and assets are better investments, they tend to be more capital intensive than traditional, less efficient, options. In the long term, BBB approaches contribute to rebalancing public finances and improving debt sustainability, and if well designed they can generate employment quickly, sustain activity and

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<sup>3</sup> Esteveao, M. (2020). *Climate Smart Fiscal Policy Can Foster a Lasting Economic Recovery*. One Earth, 3, September, 2020. <https://www.sciencedirect.com/science/article/pii/S2590332220304267?via%3Dihub>.

<sup>4</sup> Hallegatte, S; Rentschler, J; Rozenberg, J. 2019. *Lifelines: The Resilient Infrastructure Opportunity*. Sustainable Infrastructure; Washington, DC: World Bank, <https://openknowledge.worldbank.org/handle/10986/31805>.

livelihoods, and accelerate economic recovery.<sup>5</sup> However, they rely on affordable financing to absorb the upfront costs to benefit from the savings over time.

6. **In pursuing a greener, more inclusive, and resilient recovery, IDA countries face a daunting and uncertain outlook.** The social and economic shocks brought on by the pandemic are accentuating gaps between the rich and poor and exacerbating FCV drivers, potentially sowing seeds of social unrest with regional and global spillovers. Emerging protectionist trends may entrench, slowing down the transfer of more efficient technologies. Opposition to migration in non-IDA countries may harden further, just as migration pressures are likely to increase due to rising income inequality. Under many scenarios, economic recovery will be slow and uneven. Questions remain whether poor countries will be left behind and what will be the path to recovery in IDA fragile and conflict-affected situations (FCS) and Small States.

7. **To be successful, BBB requires that all countries find sustainable solutions for the acquisition and equitable distribution of COVID-19 vaccines, once available.** Addressing the health crisis is part and parcel of the recovery and rebuilding process. The recent resurgence of COVID-19 in advanced economies, and uncertainty in access to and deployment of COVID-19 vaccines in IDA countries, could seriously impede recovery in IDA countries. IDA is doing its part by providing a \$6 billion top-up to the existing Multiphase Programmatic Approach for COVID-19 Strategic Preparedness and Response Program to support the acquisition and delivery of COVID-19 vaccines, which will save lives and enable countries to focus on BBB. Supporting access to an effective and safe COVID-19 vaccine is a global public good and is critical to jumpstart the global recovery. However, this \$6 billion also represents an additional redirection of resources from the IDA19 agenda and limits IDA's ability to finance BBB interventions.

8. **Building back better requires resources well beyond what IDA countries can mobilize on their own or what development partners are currently providing.** Raising the resources needed to both regain lost ground and adapt to a new world will be a major challenge, given falling domestic resources, increased debt, and tighter capital market access due to the crisis. Overall, external financing needs for IDA countries are projected to be US\$110.5 billion higher in CY2020-2021 than the five-year historical average.<sup>6</sup> IDA countries with large fiscal deficits or debt burdens are particularly vulnerable, especially countries at heightened risk of debt distress that therefore need grant financing at scale. New bouts of debt distress and/or financial instability are possible and will be more likely in the absence of further external support. The G20 commitment to support all developing and least developed countries as they face the intertwined health, economic, and social effects of COVID-19 is welcomed.<sup>7</sup> Within a global coalition, IDA has a critical role to play, as it often provides foundational support that both client governments and other development partners build upon for their interventions. In collaboration with the International Monetary Fund (IMF), the World Bank Group (WBG) is pursuing a dialogue on innovative

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<sup>5</sup> See for example <https://blogs.worldbank.org/climatechange/thinking-ahead-sustainable-recovery-covid-19-coronavirus>. See also, Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., and Zenghelis, D. (2020), 'Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?', Smith School Working Paper 20-02. <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>.

<sup>6</sup> See "Responding to COVID-19: Early Implementation and Emerging Needs", World Bank, October 2020. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/851311603209581524/responding-to-covid-19-early-implementation-and-emerging-needs>

<sup>7</sup> See "G20 Riyadh Summit Leaders' Declaration". [https://www.consilium.europa.eu/media/46883/g20-riyadh-summit-leaders-declaration\\_en.pdf](https://www.consilium.europa.eu/media/46883/g20-riyadh-summit-leaders-declaration_en.pdf)

financing solutions including debt relief for poor countries and options for scaling up IDA concessional financial support in FY22 and FY23. For details, see the companion IDA paper, *Addressing the Need for Increased IDA Financing*.

### III. HOW IDA CAN HELP COUNTRIES TO BUILD BACK BETTER

9. **IDA is poised to scale-up to help IDA countries to rebuild better.** The IDA19 theme, *Ten Years to 2030: Growth, People, and Resilience* enshrines the imperative of helping IDA countries to reach their 2030 goals. Sustainable growth, inclusion, and resilience are embedded in the IDA19 policy framework and in IDA more generally. As efforts to contain COVID-19 and protect lives and livelihoods continue, IDA has supported countries to take initial steps down an uncertain road to recovery, mounting an extraordinary health, social, and economic response.<sup>8</sup> Even prior, IDA operations in health, social protection, disaster risk management and financial preparedness have strengthened institutions and increased the resources that are now being mobilized for crisis response. The interventions underway provide a solid base upon which to scale up for a *greener, more inclusive and resilient recovery*. IDA's approach to BBB is continually informed by lessons from the early COVID-19 response and WBG responses to previous crises (see Box 2). This section describes how IDA has been supporting clients in prescient ways, and the areas of client demand where IDA could support a *greener, more inclusive, resilient recovery*.

#### Box 2. Building Back Better Entails Continuous Learning

IDA's BBB interventions are informed by lessons from the WBG COVID-19 response so far and from Independent Evaluation Group (IEG) evaluations of responses to recent crises and systemic shocks. These include:

- a. In each crisis, success has relied heavily on *well-established country engagements and dialogue and partnerships*. It is important to *strike the right balance between global and country-specific engagement*. This can be facilitated through enhanced central guidance and monitoring.
- b. Targeted analytic work, combined with IDA's network of expertise, *can bring global knowledge to local settings and stimulate timely impactful policy dialogue*, which informs the work of clients and partners.
- c. The WBG has focused its *attention on the impact on the poor and vulnerable*. Social protection has generally been swift and substantial during this and previous crises. *Countries that had already developed safety nets and community development programs and which had efficient program delivery systems scaled up better*, and the Bank was more able to help.
- d. The WBG has *responded nimbly to shocks and refashioned some of its instruments* to handle different kinds of crises. There is merit to focus DPFs on sectors directly related to the crisis and to offer counter-cyclical support with structural policy reform. There is also merit in *focusing on fiscal sustainability and fiscal space for future counter-cyclical needs*.
- e. *Community engagement and direct support, including social protection, are key*. During the Ebola crisis, mortality from non-Ebola causes was higher than mortality from Ebola, demonstrating the trade-offs at stake during pandemics. Community resistance and insecurity constrained response, underscoring the critical role of community support in crisis response and recovery.
- f. Early COVID-19 response has highlighted the *value of adaptive learning, given the fast evolving and unprecedented nature of this crisis*. IDA's development model, which blends knowledge, finance, dialogue and convening, is well suited to quickly incorporate learning and to flexibly adjust approaching, while maintaining a high degree of quality control and accountability.

<sup>8</sup> See World Bank. 2020. "World Bank Group COVID-19 Crisis Response Approach Paper: Saving Lives, Scaling-up Impact and Getting Back on Track". Washington, D.C. and its updates.

## A. IDA19 Special Themes

### i. Jobs and Economic Transformation

10. **The economic devastation caused by the COVID-19 crisis underscores the urgency of the Jobs and Economic Transformation agenda.** Even before the pandemic, IDA countries faced a jobs crisis, with 20 million jobs needing to be created each year to keep pace with youth entering the job market. Now, COVID-19 has triggered the sharpest decline in growth since the 1960s and generated massive unemployment, with at least 105 million jobs lost in IDA countries in the formal sector alone, and many millions more in the informal sector. Women are especially hard hit: for example, in *Bangladesh*, 83 percent of women report working reduced hours, compared with 22 percent of men. The road to recovery is uncertain, amid disruptions in global and local supply chains which are changing global trade and economic organization. To enable IDA countries to regain lost ground and thrive in this transformed world, the IDA19 JET agenda will need to prioritize innovations that address market gaps, strengthen the resilience of supply chains and leverage digital solutions to build robust transport and logistics systems. The crisis has further heightened the need to speed up growth, increase productivity, and protect and create jobs at scale. In response, IDA19 can support countries to sharpen focus on job creation by pursuing investments and policies that support greener and more resilient growth in key areas, including, the digital economy, accelerating support for the circular economy, expanding the greening of sectors, enhancing eco-tourism and ensuring the resilience of the financial sector.

11. **The crisis brings into focus the WBG's ongoing work in IDA countries to diversify and green their economies.** Even before the crisis, the *Supporting Effective Jobs Lending at Scale* program has been working with clients in *Bangladesh, Cambodia, Ethiopia, Malawi, Madagascar* and *South Sudan*, among others, to transition to more diverse and sustainable economic opportunities. *Madagascar* is working to diversify its economy with a focus on creating more productive jobs for youth in agri-processing through the proposed *Economic Transformation for Inclusive Growth* project,<sup>9</sup> harnessing digital solutions and bringing more buyers and sellers together to improve efficiency. IDA is also working with the IFC in *Madagascar* to help crowd in private investment by enhancing food safety regulations to improve the quality of the country's offering in export markets, as IFC and IDA did with the *BoViMa*<sup>10</sup> project. In *Bangladesh*, the *Private Investment & Digital Entrepreneurship Project*,<sup>11</sup> coupled with the *Environmental Sustainability and Transformation Project*,<sup>12</sup> supports the government to diversify the country's export basket, while expanding digital solutions. The engagement includes setting national guidelines for greener industrial parks, increasing access to infrastructure, and reducing greenhouse gas emissions by more than 30,000 tons per year from 2026 onward. In *Cambodia*, the *Sustainable Landscape and Ecotourism Project*<sup>13</sup> is supporting the creation of green jobs by

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<sup>9</sup> Economic Transformation for Inclusive Growth (P174684).

<sup>10</sup> Applying the Maximizing Finance for Development approach, IDA and IFC are supporting the Bonne Viande de Madagascar (BoViMa) project to increase meat productivity, improve the livelihoods of more than 20,000 farmers and herders, and directly employ 200 people. The IFC is providing advisory services while IDA supports the Government to provide veterinary services and critical infrastructure.

<sup>11</sup> Private Investment and Digital Entrepreneurship (P170688).

<sup>12</sup> Environmental Sustainability and Transformation (P172817).

<sup>13</sup> Cambodia Sustainable Landscape and Ecotourism Project (P165344).

strengthening protected areas management and catalyzing investments in ecotourism and non-timber forest product value chains. IDA is also helping to ensure that financial systems are climate resilient. Climate Risks and Opportunities assessments will be conducted with the IMF in upcoming Financial Sector Assessment Programs. These kinds of interventions are critical to a *greener, more inclusive, and resilient recovery* in IDA countries.

12. **Private sector solutions will be essential to the recovery effort.** Given diminished fiscal headroom and debt capacity resulting from the crisis, the private sector will need to expand to catalyze economic growth and generate employment. Governments can devise public-private schemes that minimize risks and leverage resources and capabilities to support high-growth SMEs, startups, and financial institutions. They can also improve governance and build capacity in existing SME guarantee agencies, public incubators, and open access for digital financial platforms and strategic investment funds. Upstream policy reforms, including measures to level the playing field and enable greater competition in local markets— especially in sectors that tend to be dominated by state owned enterprises (SOEs) or monopolies—can spur private investment, improve service delivery, lower costs, preserve or create jobs, and mobilize domestic revenue. In several IDA countries there is also an urgent need for regulatory and policy reforms to support restructuring of firms and resolution of non-performing loans for financial institutions.

13. **IDA is helping clients to step up support for *creating and connecting to markets, providing a solid base for countries to scale up their economic recovery.*** Regional and global integration catalyze the creation of cross-border economic corridors, promote trade and economic development and the inclusion of local populations, especially in FCV areas. IDA’s corridor programs focus on building stakeholder capacity to design, implement and operate transport corridors that provide economic benefits and minimize risks. In support of the knowledge agenda, the recent *Enhancing Burkina Faso Regional Connectivity*<sup>14</sup> report provides diagnostics and recommendations to design, implement and operate transport corridors, including consideration of social and environmental impacts. The *Dar es Salaam Maritime Gateway Project*<sup>15</sup> also extended and improved the climate resilience of Dar es Salaam port, a crucial maritime gateway in East Africa, while the *Southern Africa Trade and Transport Facilitation Program*<sup>16</sup> on the North-South Corridor in *Tanzania* and *Malawi* sought to balance transit and promote trade benefits along the corridor. Improved infrastructure, access to finance, and support to entrepreneurs in turn facilitates trade and employment and demonstrates the value of a multisectoral approach to JET.

14. **Looking forward, there are significant opportunities to scale up and prioritize IDA’s work to help create more jobs and pursue sustainable economic transformation in the post-pandemic context, including through deeper structural reforms, mobilization of digital platforms, inclusive value chains and private sector solutions.** IDA can help those countries that use the recovery process as an opportunity to:

- a. Pursue *deeper structural reforms*. The urgency of restarting growth and creating jobs calls for reforms that will open more markets and strengthen the business enabling environment.

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<sup>14</sup> See, “Enhancing Burkina Faso Regional Connectivity: An Economic Corridor Approach”, World Bank, 2019. <https://openknowledge.worldbank.org/handle/10986/33040>

<sup>15</sup> Dar es Salaam Maritime Gateway Project (P150496).

<sup>16</sup> Southern Africa Trade and Transport Facilitation Program (P145566).

- b. IDA can help to *expand digital economy solutions*, helping more firms to use digital financial payments, participate in online transactions, develop local platforms, deepen digital skills, encourage entrepreneurship and ensure data governance regulations are enacted. These can bring productivity and environmental gains and foster inclusion and resilience.
- c. IDA can help to *stimulate inclusive value chains*, so they not only raise the productivity and incomes of farmers, small business and low wage workers, but help diffuse technologies that lower carbon footprints, use more renewable energy and expand to greener sectors. There are also opportunities to *support the expansion of eco-tourism*, as a way to rebuild the tourism sector in a more sustainable way, once travel resumes.
- d. IDA can *scale up its support for green and resilient infrastructure systems, from power and transport systems to schools and hospitals*. IDA can help make the power system more reliable and better able to accommodate a higher share of renewable energy or to make cities less vulnerable to floods. Similarly, social infrastructure, like schools, hospitals, needs to become more energy-efficient, but also more resilient to ensure the continuity of public services during emergencies.
- e. There is opportunity for *partial risk sharing facilities to create new markets* for private sector participation and blended finance, for instance by mobilizing private sector solutions for road safety, digital development, expanding agriculture services by improving value chains, and developing and scaling-up mini/off grids for energy access. There is also a scope to replicate the success of scaling solar programs via *well-regulated scalable platforms for Public-Private Partnership (PPP)* in sectors from water treatment to student housing.
- f. IDA can also help to systematize the use of tools, such as Business Pulse Surveys, to *get real time updates on how firms are affected by the crisis and are responding*, including their operating capacity, the uptake of digital solutions, adjustments on labor, extent of supply disruptions, ability to meet payments, knowledge and uptake of government assistance programs. This data can help to target BBB interventions more precisely.

## ii. Climate Change

15. **The COVID-19 crisis has compounded the impacts of climate change and demonstrated the urgent need to strengthen preparedness and boost resilience to future shocks.** Climate change and climate-related shocks disproportionately affect the poor and vulnerable and pose a major threat to sustainable economic development and poverty reduction. Of the 132 million people at risk of falling into poverty due to climate change by 2030, 80 percent (or 106 million) are in IDA countries. Without urgent action to address climate change, IDA countries risk erasing decades of hard-earned development gains. The pandemic's massive economic and social costs have demonstrated the importance of protecting natural ecosystems and strengthening crisis preparedness in order to minimize catastrophic outcomes from shocks. Building on lessons emerging from the COVID-19 response, IDA can scale up investments that boost climate resilience, for instance through community and nature-based solutions which can

rapidly create large numbers of jobs, especially through small and medium sized enterprises (SMEs). Such investments include community-based landscape and watershed management, ecosystem restoration and sustainable management of forests and marine resources. These investments generate long-term benefits including reduced water usage or flood damage and lower (or even negative) carbon emissions and can also protect biodiversity and maintain or enhance ecosystem services that reduce infrastructure investment needs.

**16. IDA support has been instrumental in helping countries to pursue adaptation and mitigation strategies and seize opportunities for a green and resilient recovery.** When the crisis hit, IDA's knowledge and expertise, relationships and policy dialogue provided the foundation to help clients to pursue BBB-based recovery packages that respond to the crisis while supporting the transition to a low-carbon future (see for example Box 3). Even pre-crisis, IDA operations have supported countries to improve energy access and deliver services at lower costs through scaling renewables, energy efficiency, and storage solutions, which offer safe, reliable and affordable ways to achieve zero-carbon universal access to energy, and in turn create jobs, build human capital and promote gender equality. Such support is exemplified in the *Dominica Geothermal Risk Mitigation Project* and the *St. Lucia Geothermal Resource Development Project*.<sup>17</sup> these projects develop indigenous geothermal energy and include capacity building and broader reforms to favor greener and more resilient solutions. IDA support also mobilizes policy and regulatory incentives for low-carbon pathways such as in *Cabo Verde, Nigeria and Senegal*, where DPFs have supported clients in their national commitments on renewable energy. These interventions pave the way for larger private sector participation in green energy and technology solutions. In *Rwanda*, IDA has supported the adoption and implementation of policies to expand electricity access, while reducing costs and maintaining a low-carbon path.<sup>18</sup>

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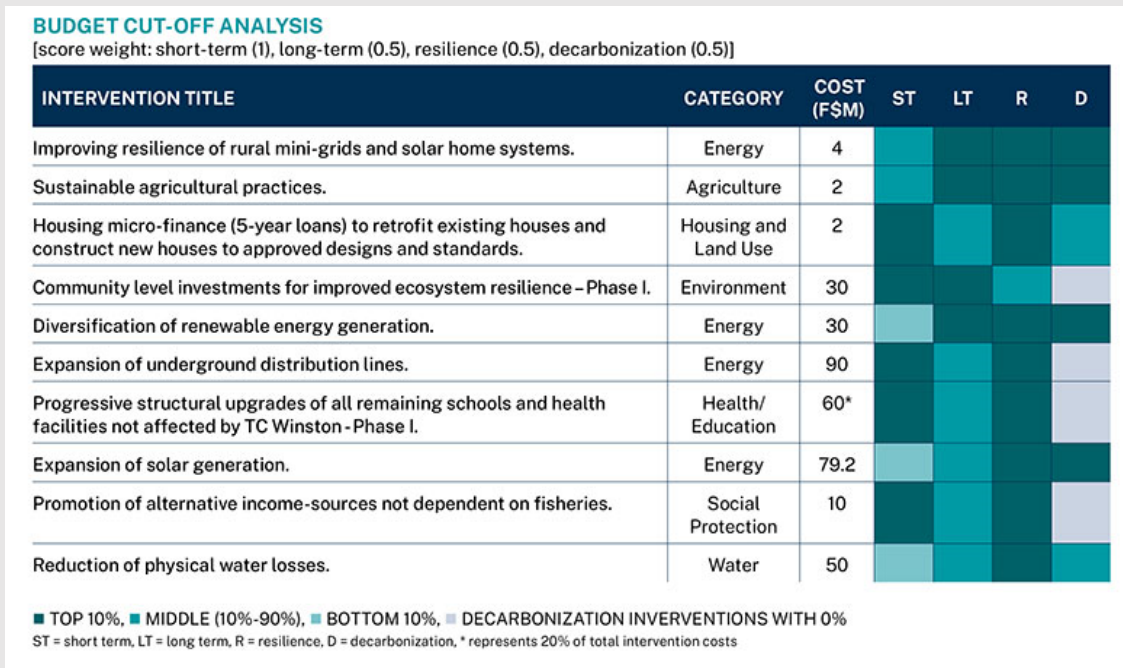
<sup>17</sup> Dominica Geothermal Risk Mitigation (P162149); St Lucia Geothermal Resource Development (P149959).

<sup>18</sup> Rwanda Energy Sector DPO Series (P162607, P166458, P169040).



### Box 3. Taking a Building Back Better Approach to Stimulus in Fiji

In response to COVID-19, the Fijian Government put forward a stimulus package to protect the population and support economic recovery. So how should Fiji allocate its resources? Can it deliver short-term benefits, protect the population against the crisis, and achieve longer-term objectives? To guide countries to answer these questions, IDA proposed to start from existing long-term plans, including national development plans, and developed a proposed *sustainability checklist*. Here, we illustrate the approach by applying the checklist to Fiji’s *Climate Vulnerability Assessment*, developed with IDA. After screening and prioritization, and with an assumed budget of 3 percent of GDP for additional spending, the 124 interventions reduced to 10 (see below).



As expected for measures extracted from a resilience plan, the top 10 all perform well in how they will enable communities to *build resilience* for future shocks and crises. All of them also *boost long-term productivity and growth*, either by improving agricultural productivity, the reliability of infrastructure, or by reducing energy or untreated wastewater. Some, but not all, also *contribute to decarbonization*. Most importantly, the 10 selected interventions are able to *create a large number of jobs*, with the appropriate skillset, and *can be implemented quickly* to respond to the crisis, making them good candidates for stimulus spending.

This exercise does not pretend to identify the best stimulus package for Fiji or for other countries. It illustrates that governments need not start with a blank slate. Existing programs – for instance related to resilience, climate change, or other long-term development plans, such as those included in NDCs and NBSAPs -- can be co-opted into stimulus, efficiently and effectively, through just-in-time analytics and dialogue.

17. **IDA’s backing has been pivotal to strengthening institutional capacity for preparedness and climate disaster risk management, which is also helping countries manage the COVID-19 crisis.** For example, the *Mozambique Disaster Risk Management and Resilience Program for Results*<sup>19</sup> built capacity at the National Disaster Management Institute, which is now in charge of the country’s multi-sectoral preparedness and response plan for COVID-19. IDA has supported contingency preparedness through the Catastrophe-Deferred Drawdown Option (CAT-DDO) – a contingent credit that provides financing to countries affected by natural disasters or health emergencies to finance emergency response. The value of the CAT-DDO became even more apparent at the onset of COVID-19, when the instrument was triggered in the *Maldives*,

<sup>19</sup> Mozambique Disaster Risk Management and Resilience Program (P166437).



*Malawi, Samoa, Vanuatu, Honduras, Kenya and Cabo Verde*, providing these countries \$297 million for immediate response. These operations have strengthened regulatory frameworks and institutional capacities for multi-hazard risk management at national and local levels, enabling them to better manage resulting socioeconomic and fiscal impacts. These operations build on, and apply lessons from, a history of IDA investments in preparedness and risk mitigation. For example, IDA investments in *India* and *Bangladesh* over the last two decades have built cyclone shelters, improved early warning dissemination to communities at risk, strengthened coastal embankments, raised community preparedness, enabled large-scale evacuation, and ensured rapid restoration of supply routes.<sup>20</sup> Through longstanding support, IDA has helped clients across *South Asia* to instill a culture of preparedness that has reduced the impact of recurrent cyclones and contributed to the safety and wellbeing of millions of vulnerable people.

**18. Channeling climate finance and decision-making to the local level has also been critical to strengthening community resilience to shocks and protecting hard won gains in social inclusion.** For example, the *Somalia Crisis Recovery Project*<sup>21</sup> pursues a CDD approach to support areas hit by recent floods, droughts and the locust infestation, which was exacerbated by COVID-19. The project provides crisis support while strengthening community capacity for managing risks and focuses on women’s inclusion and participation in decision-making bodies, including in the development of community preparedness, adaptation, and response plans. As discussed in the *human capital* paragraphs below, helping countries to expand and strengthen their safety nets and social protection systems could significantly rebuild human capital, prevent vulnerable groups from falling even deeper into poverty and increase resilience to economic crises, natural disasters and climate change impacts.

**19. Looking forward, there are significant opportunities for IDA to scale up support for low-carbon investments that build resilience and help achieve climate goals.**

- a. IDA could scale up *support to systematic NDC and NBSAP implementation*, to lay the groundwork for deeper climate actions that consider shorter-term needs for adaptation and resilience and long-term decarbonization aims. This work can capitalize on opportunities for climate-smart investments and infrastructure to stimulate growth and create green jobs.
- b. There is a huge opportunity to *scale up climate finance and capacity building at the local level*. At present, less than 10 percent of climate finance is prioritized for the local level. IDA’s experience in integrating climate and disaster risk management into large-scale CDD programs provides a powerful avenue to increase this share.
- c. Considering the continuing climate crisis and the need to boost the resilience of IDA countries, there is an opportunity to *expand access to high-quality hydrometeorological data, environmental and health monitoring and early warning systems*. Changing

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<sup>20</sup> In Bangladesh, see the Multipurpose Disaster Shelter Project (P146464), Coastal Embankment Improvement Project (P128276), Weather and Climate Services Regional Project (P150220), and Urban Resilience Project (P149493). In India (using IDA resources), see the National Cyclone Risk Mitigation Project (Phase I P092217 and Phase II P144726;), Tamil Nadu and Puducherry Coastal Disaster Risk Reduction Project (P143382), Odisha Disaster Recovery Project (P148868), and Andhra Pradesh Disaster Recovery Project (P154847).

<sup>21</sup> Somalia Crisis Recovery Project (P173315).

environmental and climate conditions bring emerging risks that need to be identified early to be contained efficiently. Equipping IDA countries with the resources to monitor emerging risks would not only make the world more resilient, but also make their own development path smoother and more robust.

- d. At the intersection of climate change and human capital, there is significant opportunity to ***expand ASP and other financial tools to help people cope with and recover from climate shocks***. Combination of local climate finance, early warning systems (which have a track record of saving lives) and ASP and other financial tools (which accelerate and improve recovery) can go a long way to building resilience of communities so they can better absorb and adapt to the future impacts of climate change.

### iii. Gender and Development

20. **The COVID-19 crisis is undoing decades of hard-won gains on gender equality and highlighting the need to redouble efforts.** Women across IDA countries are losing their jobs at a faster rate than men, face increased care responsibilities, and are bearing the brunt of an alarming rise in GBV. Around 4 million fewer facility-based deliveries will be conducted in IDA countries and maternal mortality is expected to rise by around 12 percent. The pandemic is reversing decades of progress on women's economic empowerment, voice and agency, and girls' education. Meanwhile, women are less likely to have received government support. For example, in *Pakistan* 63 percent of men report increased government support, compared to only 25 percent of women. IDA's response is focusing on reversing these losses and redoubling efforts through reforms and initiatives that support women's return to economic activity, boost voice and agency, address GBV and strengthen health, education, and social protection systems to be more inclusive of women, such as by improving the design of cash transfer programs to cover urban informal workers and providing top-ups for childcare. While these initiatives address the immediate impacts of the pandemic, they will also improve gender equality in the long-term.

21. **Recognizing these disproportionate impacts, IDA is redoubling efforts on gender equality.** For example in *Niger*, the *Second Laying the Foundation for Inclusive DPF*<sup>22</sup> is helping to mitigate the impact of COVID-19 by providing cash transfers to households, while also addressing gender equality by strengthening the framework to combat child marriage and providing access to family planning and education for young mothers and adolescent girls. IDA is also supporting human capital improvements, without which children, particularly girls, risk being left behind. Building on lessons from the Ebola crisis, the *Sierra Leone Free Education Project*<sup>23</sup> is supporting campaigns to prevent the spread of the virus, expanding access to distance learning and addressing some of the barriers that girls face in staying in and completing school. IDA has also expanded support to GBV prevention and response; for example, the *Democratic Republic of Congo (DRC) Health Systems Strengthening Project*<sup>24</sup> includes training for health staff on the recognition, treatment, counseling and referral of GBV survivors. This project offers important lessons for future GBV programming. IDA has also announced that it will disqualify any

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<sup>22</sup> Niger Second laying the foundation for Inclusive Development Policy Financing (P173113).

<sup>23</sup> Sierra Leone Free Education Project (P167897).

<sup>24</sup> Fourth Additional Financing for Health Systems Strengthening for Better Maternal and Child Health Results Project (P173415).

contractor who fails to comply with GBV-related obligations.<sup>25</sup> Even before COVID-19, IDA has also been supporting local economic development by assisting women-owned firms and entrepreneurs. For example, the *Nigeria for Women Project*<sup>26</sup> is creating opportunities for women in six states, by providing cash support through livelihoods grants and skills training to women's groups, targeting women who are active in subsistence-level economic activities, while providing avenues for women to mitigate negative social norms and cushion the impact of crises. IDA is also financing operations that provide mobile childcare; support women entrepreneurs through in-kind grants and longer-term technical assistance; and increase women's access to digital services in rural communities. Complementing IDA operations, the IFC is supporting women's financial inclusion through expansion of digital financial services via private sector fintech solutions. These kinds of operations exemplify how IDA can scale up to help clients to pursue an inclusive recovery.

**22. Looking forward, there are significant opportunities for IDA to lean forward and address the backsliding to ensure that women and girls are truly included in the recovery.**

- a. *Closing the digital gender divide* has gained urgency. There is scope to accelerate work on digital identification systems and government payment platforms, and, with the private sector, to boost women's access to and use of mobile technology and IT.
- b. There are significant opportunities to *support women's return to economic activity*, including labor-intensive public works and cash-for-work programs that include women, direct provision of productive inputs to female farmers, and actions to improve women's access to childcare and to different types of credit and liquidity.
- c. IDA could build on recent progress made on GBV programming and *strengthen access to and quality of services that are key for GBV prevention and response*, including boosting nascent prevention efforts through education systems and community-level interventions, and strengthening availability and quality of response services for health, economic/livelihood promotion, and access to justice systems.
- d. There is an urgent need to *scale-up efforts in girls' education*, especially to reduce dropout rates and teenage pregnancies and increase secondary enrollments.

**iv. Fragility, Conflict and Violence**

**23. The crisis presents massive challenges for FCS, with a decade of progress on living standards lost and FCV risks rising.** Many of these countries have severely under-resourced health systems, weak social safety nets with limited reach, and a fractured social contract. The crisis is expected to push between 18 to 29 million more people in IDA FCS into extreme poverty, while reinforcing inequalities, and fueling exclusion and grievance. There is concern that lack of

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<sup>25</sup> Contractors of large works procured after January 1, 2021 may be disqualified for failing to comply with GBV-related obligations. The World Bank expects that the new disqualification mechanism will further raise the bar for preventing GBV and incentivize well-performing contractors. See: <https://www.worldbank.org/en/news/press-release/2020/11/24/contractor-disqualification-to-strengthen-prevention-of-gender-based-violence>

<sup>26</sup> Nigeria for Women Project (P161364).

economic alternatives may facilitate recruitment by violent groups, and the number of fragility-related events in IDA FCS in Sub-Saharan Africa has risen. The crisis has abruptly shifted the political contexts that shape violence patterns, the long-term effects of which remain to be seen. The crisis is also exacerbating pre-outbreak stresses such as the locust outbreak, climate change, particularly in *the Sahel*, and a protracted refugee crisis. In some FCS, fragility may deepen as a result of the crisis, impeding recovery efforts. There is also the prospect that IDA countries that were not previously considered FCS will exhibit such stress that new fronts of FCS will emerge on the IDA landscape. As well as exacerbating FCV risks and drivers, the crisis is also driving up hunger and food insecurity, and a food crisis is looming. Most FCS are already at high risk of (or already in) debt distress so need grants to finance their efforts to BBB. To address these impacts, IDA could redouble efforts to address FCV drivers, particularly in regional hotspots, invest in human capital and scale up ASP to build resilience.

**24. IDA is helping FCS to strengthen community resilience, inclusion and cohesion, providing a solid base upon which to scale up.** The *DRC Eastern Recovery Project (STEP2)*<sup>27</sup> is providing immediate livelihoods support and access to critical community infrastructure for those affected by overlapping crises, such as conflict, forced displacement, the Ebola outbreak and COVID-19. The project will also support the development of a national social safety net system that the Government and its partners can use to implement social policies and increase the coverage, efficiency, and generosity of cash transfers. Combining donor support and IDA pre-arranged clearance grants, the *Sudan Family Support Program (SFSP)*<sup>28</sup> will provide short-term cash transfers to support crisis response and cushion the impact of critical macroeconomic reforms, develop social protection delivery systems, and help rebuild the social contract. In Niger, the *Youth Employment and Productive Inclusion Project*<sup>29</sup> is leveraging existing social protection systems to strengthen economic inclusion for the poorest, while the *Kandadji Program* supports local development in the Tillabéri area through irrigation development and the strengthening of water, health and education infrastructure and services.<sup>30</sup> The *Lake Chad Region Recovery and Development Project*<sup>31</sup> uses the CDD approach to address the intersection of economic shock, COVID-19 and FCV drivers in a regional hotspot. The platform will work at the local level to reinforce resilience of communities and their institutions, including through quick deployment of COVID-19 response grants, while fostering regional cooperation to develop and implement a joint vision for prevention, preparedness and response to external shocks.

**25. IDA is also addressing key development challenges in FCS such as food insecurity and a low human capital base which have been made more daunting by the crisis.** For example, in *Afghanistan*, COVID-19 prevention measures have disrupted farming in rural areas and led to rising food prices and shortages in urban areas. The *Emergency Agriculture and Food Supply*

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<sup>27</sup> AF: STEP Second Additional Financing (P171821), Parent project: DRC Eastern Recovery Project (STEP: *Projet pour la Stabilisation de l'Est de la RDC pour la Paix*, in French) (P145196).

<sup>28</sup> Sudan Family Support Project (P173521).

<sup>29</sup> Youth Employment and Productive Inclusion Project (P163157).

<sup>30</sup> Formerly the First Part of the Second Phase (APL 2A) of the Niger Basin Water Resources Development and Sustainable Ecosystems Management Project (P172724).

<sup>31</sup> Lake Chad Region Recovery and Development Project (P161706).

*Project*<sup>32</sup> improves food security by increasing local food production, strengthening food supply chains, and developing productive assets such as irrigation schemes. Meanwhile, the *Relief Effort for Afghan Communities and Households* project will provide short term food support to vulnerable households across the country.<sup>33</sup> In Niger, the *Learning Improvement for Results in Education Project*<sup>34</sup> expands education services in fragile and conflict-affected areas, builds resilience to absorb refugee flows, and builds capacities in monitoring key risks and trends. Project interventions include specialized training modules for teachers of refugee children; access to remedial prevention programs and second-chance programs; and strengthening data collection and monitoring and evaluation processes in refugee-hosting areas. The project also works with Koranic schools which operate informally and not recorded in education statistics.

26. **Looking forward, additional resources would enable IDA to *step up support and respond with agility* in those countries that are simultaneously hit hard by the crisis and deepening drivers of fragility.** Here, green, inclusive and resilient development solutions are critical to achieving the 2030 Agenda and averting further spillovers.

- a. There are significant opportunities to ***invest in human capital and scale up ASP*** in FCS. These are essential to resilience and capable of protecting human capital for the future, especially for the most vulnerable communities that are most at risk of being left behind.
- b. ***Creating jobs and economic opportunities*** is among the most pressing challenges in FCV in normal times, and even more so during the current crisis, especially given its links to peacebuilding, stability and social cohesion. Here, there are significant opportunities to support labor-intensive works that promote climate resilience, for example.
- c. There is much scope to ***scale up CDD to empower communities***, support prevention in polarized settings, help local governments to deliver services and infrastructure in a responsive and accountable ways, and build resilience and confidence in local institutions.
- d. IDA could ***intensify efforts to support regional hotspots*** facing the compounded impacts of COVID-19, climate change and conflict to foster inclusion and resilience, by addressing transnational drivers and impacts of FCV, including in the *Sahel* and the *Gulf of Guinea*.
- e. Food insecurity looms large for IDA FCS, and additional resources could ***scale up critically important interventions***. For details, see the companion IDA paper, *Responding to the Emerging Food Security Crisis*.

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<sup>32</sup> *Emergency Agriculture and Food Supply Project (EATS)* (P174348). The grant is comprised of US\$55 million from IDA and US\$45 million from the Afghanistan Reconstruction Trust Fund (ARTF).

<sup>33</sup> *Relief Effort for Afghan Communities and Households (REACH)* (P174119). The grant is comprised of US\$155 million from IDA and US\$125 million from the Afghanistan Reconstruction Trust Fund (ARTF).

<sup>34</sup> *Niger Learning Improvement for Results in Education* (P168779).

## v. Governance and Institutions

27. **The crisis has highlighted the role of good government and exposed weaknesses in governance and institutions.** In many IDA countries, economic growth— as well as jobs and productivity growth—was weak before the crisis, and a structural reform agenda remained unfinished. Debt levels were high, with half of all IDA countries at high risk of debt distress, and fiscal space was severely constrained, with primary deficits averaging 2 percent of GDP. COVID-19 then wiped out a decade of progress on domestic resource mobilization, while stretching governments to respond on multiple fronts. The ability of IDA countries to finance their own measures to bolster weak health systems and mitigate the myriad effects of the crisis has been extremely limited. For many IDA countries, building back better necessitates significant work to strengthen governance and institutions for a *greener, more inclusive and resilient recovery*.

28. **IDA's support to domestic resource mobilization is increasing client capacity to raise tax revenues and address the significant fiscal challenges posed by the crisis.** IDA is helping countries to strengthen tax policy and administration through reforms and technical assistance to digitize the tax registry, taxpayer services and payment options; introduce risk-based audit systems; and leverage big data. In *Benin* and *Senegal*, the modernization of government information systems has helped to reduce compliance costs and will support the entry of SMEs into the formal sector. In *Grenada*, the government is leveraging digital technology to deliver tax administration services online and through kiosks, thus enhancing business continuity protocols and institutional resilience. These efforts to digitize government systems, including revenue collection, increase productivity and bolsters resilience.

29. **IDA is enhancing voice and accountability through GovTech solutions and multi-stakeholder coalitions.** In *Kenya*, the technology-enabled feedback collection platform, MajiVoice, enables beneficiaries to submit real-time feedback on service delivery; submit corruption complaints; and request explanations on their bills online and via SMS. In the first two years of the pilot, community groups solicited over 400 complaints and successfully resolved 97 percent of them. The *Djibouti Public Administration Modernization Project*<sup>35</sup> strengthens service delivery, including for women and people with disabilities, and will establish Citizen Service Centers to provide access to services through kiosks and assisted access terminals. In *Somalia*, the *Capacity Advancement, Livelihoods and Entrepreneurship Through Digital Uplift Project*<sup>36</sup> will increase access to basic digital financial and government services, targeting entrepreneurship and employment, particularly for women. Meanwhile, the *Somalia Recurrent Cost Reform Financing Project*<sup>37</sup> convenes state and non-state actors to improve inclusivity and accountability in service delivery, including through performance-based grants to incentivize development outcomes, an innovative approach given Somalia's fragility. In *Cambodia*, two operations in the water and nutrition sectors embed accountability mechanisms that empower local communities and governments to work together to hold public service providers accountable for service standards.

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<sup>35</sup> Public Administration Modernization Project (P162904).

<sup>36</sup> Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (P168115).

<sup>37</sup> AF: Somalia Recurrent Cost Reform Financing Project, Parent project: Somalia Recurrent Cost Reform Financing Project (P154875).

30. **IDA has been supporting pandemic preparedness and helping countries to build their capacity to respond to and recover from shocks.** In IDA18, IDA supported 47 countries to develop pandemic preparedness plans and frameworks for health emergency preparedness, response and recovery. By supporting operationalization of these plans, IDA is helping countries integrate preparedness in core operations, rather than treating it separately as an add on. For example, the *Regional Disease Surveillance Systems Enhancement (REDISSE)* project<sup>38</sup> in West and Central Africa has been instrumental to the COVID-19 response. Aimed at strengthening national and regional capacity for collaborative disease surveillance and epidemic preparedness, the project has boosted the capacity of local actors to conduct tests using guaranteed safety and quality protocols. In *Pakistan*, IDA supports the country's diagnostic capacity for improved epidemic preparedness and control. IDA is also supporting *Ghana, Honduras, Liberia, Nicaragua and Sierra Leone* to identify challenges and opportunities for strengthening pandemic preparedness and develop strategies and action plans to mobilize investments.

31. **IDA is helping governments to improve infrastructure governance and mobilize private investments for quality infrastructure.** Improved governance, clear allocation of risks, and better regulation of critical services and markets can improve the performance of infrastructure services, reduce their costs, and mobilize private resources. They can also facilitate the transition toward greener, low-carbon, cost-effective, resilient infrastructure systems. Infrastructure Sector Assessments are helping IDA countries BBB by assessing priorities, binding constraints on delivering these priorities, and solutions for overcoming constraints, including through leveraging private solutions. The *COVID Rapid Response Facility* is advising clients in *Haiti, Kyrgyz Republic, Malawi* and the *West Africa Power Pool* project on how to ensure that PPPs continue to provide value for money.<sup>39</sup> IDA has also provided credit enhancement for private sector operations to improve infrastructure service delivery for energy projects in *Afghanistan* and *Ethiopia*. Infrastructure governance assessments, anchored in the G20 Osaka Principles for Quality Infrastructure Investment, are underway in *Djibouti* and *Tanzania*.

32. **Looking forward, building back better will require governments in IDA countries to take key reforms to restart growth and renew efforts to build equity and inclusion.** This requires a series of policies, investments, and institutions that lay at the intersection of governance, JET, human capital and digital development, and IDA can play a key role in supporting clients.

- a. ***Reform to improve the enabling environment and kickstart growth, productivity, and competitiveness in IDA countries.*** Countries that strengthen the rule of law, create a positive investment climate, and promote transparency will benefit from public and private capital flows to support resilient recovery.
- b. More support is needed to ***develop bottom-up accountability and feedback mechanisms*** to ensure that the voices of vulnerable and marginal groups are heard so that BBB investments are more sustainable and impactful for the poor. In addition, government actions will be needed to address structural sources of inequality, including intergenerational mobility and spatial disparities.

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<sup>38</sup> Regional Disease Surveillance Systems Enhancement Project (RESIDDE) Phase IV (P167817).

<sup>39</sup> AF: West Africa Power Pool (P163033); Parent: West Africa Power Pool (P113266).

- c. **Strengthening progressivity of public spending** and the taxation system. On the green agenda, IDA could support countries to **pursue green tax reforms** and introduce green fiscal policies that help them meet climate targets, while widening the tax base and mobilizing revenues to help create fiscal space for social expenditures. There are also opportunities to further digitize government systems, including for revenue collection.
- d. To support resilient recovery, there is scope to scale up IDA's work on **quality infrastructure and infrastructure governance**, including by expanding the pipeline of green infrastructure projects that reduce pollution and improve resilience to climate shocks, conducting more country assessments, strengthening the knowledge agenda and deepening collaboration with key partners. IDA could also do more to help strengthen enabling frameworks for PPPs, including fiscal risk assessment and management framework and create robust pipelines of projects across multiple infrastructure sectors.

## B. IDA19 Cross-cutting Issues

### i. Digital Development

33. **While much remains uncertain in a post-COVID-19 world, one thing is clear: digital development will be integral in the transformed world.** The crisis has underlined the urgency for digital development in IDA countries, by demonstrating the value of good internet access for remote work, communications, and learning. It has also shown that digital transformation, when appropriately managed, helps to bridge the digital divide, including its gender and disability dimensions, while offering low-carbon solutions. Yet IDA countries are far behind and slipping: only 23 percent of people in IDA countries have access to the internet. The crisis has underscored the need for IDA countries to increase broadband access; improve emergency readiness through e-applications in government and the economy; open access for fintech, digital remittances and e-payments providers; integrate new technologies and; safeguard data privacy through better governance and online security. IDA can help countries to capitalize on and embrace digital technology to grow and regain progress toward 2030 goals.

34. **IDA support for digital development provides a solid base upon which countries can scale up to proposer in a transformed world.** For example, the *Digitizing Government-to-Person payments (G2Px)* Initiative has been key to addressing challenges posed by the unprecedented scale-up of social assistance programs due to COVID-19. Meanwhile, the ID4D Initiative is providing technical assistance to around 30 IDA countries, including *Nigeria, Rwanda, Samoa and Uganda*, to put in place or strengthen ID systems to improve the accessibility, quality, and effectiveness of public service provision; and promote financial inclusion and access to economic opportunities. 21 IDA countries are benefitting from technical assistance to design and implement digital social assistance payments and operationalize enabling infrastructures to support financial inclusion and women's economic empowerment. These systems are critical to inclusion and resilience moving forward. Meanwhile, IDA's support to broadband connectivity gains pace. In *Kosovo*, the *Digital Economy Project*<sup>40</sup> aims to connect most rural areas to broadband by 2023: so far over 4,000 households, 75 health facilities and 26 schools enjoy access to faster and reliable internet, enabling underserved communities to access labor markets, sources of knowledge, and

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<sup>40</sup> Kosovo Digital Economy Project (P164188).



better public services. In a fragile setting with a high youth population, this infrastructure and the systems it supports are critical to future growth, inclusion and resilience. In Africa, the IFC is complementing IDA's efforts and stepping up collaboration with a pan-African telecom infrastructure provider that provides services in over 30 countries in Africa. With a new \$200 million loan committed under its global fast-track COVID-19 facility, IFC is helping retail providers meet the increased demand for online services amid the crisis, upgrade subsea capacity and roll out new terrestrial fiber optic networks across the region. The added capacity will help an additional 4.4 million subscribers to establish new connections or improve the ones they have.

**35. Looking forward, IDA could do more to help IDA countries seize opportunities in digital development in a new world.** Digital transformation requires a combination of financing, capabilities and linkages to external knowledge centers that IDA is well-placed to foster.

- a. There is rising client demand for ensuring *universal broadband connectivity, including its use among the poor and in rural areas*, which the crisis has shown is key to both inclusion and resilience, while bringing green benefits. IDA could help to facilitate the deployment of digital infrastructure and the adoption of new technologies to expand connectivity, support regulatory reforms for greater affordability, coverage and quality of service including policies to share infrastructure, use spectrum, facilitate entry and competition, and scale up innovative demand/supply subsidies.
- b. There is demand for the *development of digital public platforms for service delivery and data-driven agile regulation*. IDA is well-placed to support the development of inclusive and interoperable platforms, including for digital identification and payments, and facilitate the adoption of policy enablers and safeguards, such as frameworks on data protection, privacy, cybersecurity, electronic transactions and open data.
- c. There is scope to *mainstream digital solutions across sectors*. IDA could significantly scale up support for enabling policies and government programs to develop digital solutions that cater to low-income and low-skilled population groups.
- d. There are huge opportunities to *strengthen digital capabilities for inclusive growth*. IDA could scale up programs that enhance citizens' digital literacy, create opportunities for youth employment in digitized sectors and in digital startup ecosystems, and re-skill government officials for agile regulation and e-government service delivery.

## **ii. Investing in Human Capital**

**36. The pandemic has eroded progress of an entire generation and underscored the urgent need to protect and rebuild investments in people.** On *education*, only two percent of children live in countries where the schools are fully open, and the vast majority of children out of school are not participating in remote learning. Even on a base scenario, IDA countries stand to lose US\$725 billion in present value from the immediate impacts of school closures and economic shocks. Similarly, around 98 percent of all vocational training has closed. The twin shocks of school closures and recessions is compounding the pre-existing learning crisis, worsening learning poverty and inequality, especially for the poor and people with disabilities. Yet, it has also resulted

in expanded remote learning, with opportunities to create more resilient and equitable education systems. The crisis has also exposed weaknesses and is exacerbating vulnerabilities in *health systems*, calling for stronger core public health functions and health security. The need to move toward Universal Health Coverage (UHC) is stronger than ever. To regain lost ground and put IDA countries back on the path to sustainable development in the post-COVID world, IDA could support countries to scale up investments and pursue innovative approaches in health, education and social protection based on strengthened systems that can ensure continuity and delivery of an integrated package of social services to all, even under crisis conditions. Based on on-going knowledge work, these enhanced systems would build on the expanded social registries and community engagement achieved under the immediate social crisis response, while using digital technologies to extend distance learning and telemedicine and developing an extensive network of energy-efficient vaccine cold chains. The approach would also redouble efforts on One Health to prevent and prepare for future pandemics.<sup>41</sup>

**37. IDA operations in health are strengthening health systems and supporting countries to better target human capital financing.** As emergency efforts to contain COVID-19 and protect lives and livelihoods continue, IDA has mounted an extraordinary health response under Pillar 1 of the WBG Approach in around 60 of the 74 IDA countries. Sustainable financing for human capital is also becoming a central element of DPFs. In *Rwanda*, prior actions focus on sustainable financing of the Community-Based Health Insurance scheme – an important step toward UHC. In *Comoros*, IDA is helping to strengthen institutions and governance which are critical to primary health care through support to the National Health Strategic Plan. IDA is also supporting countries to launch innovative approaches for the delivery of health services: for example, *Ghana* and *Rwanda* are leveraging drone technology to deliver blood and medical supplies to hospitals. Also prior to the crisis, IDA has been helping countries to better invest in people by conducting Human Capital outcome-oriented Public Expenditure and Institutional Reviews (HC PEIRs) and Human Capital Reviews (HCRs) which provide the evidence and recommendations needed to align short-term expenditure decisions with long-term human capital priorities. In *Kenya*, the HC PEIR examines how to improve efficiency of public expenditure toward early childhood development. *Liberia's* HCR is helping to identify human capital development constraints and opportunities, while *Pakistan's* is assessing the institutional, financing and policy challenges in human capital development.

**38. IDA is well-placed to scale-up efforts to build and maintain integrated, and sustainable public health and healthcare systems.**

- a. Clients need more support to *progressively realize UHC*, with a focus on disease prevention and preparedness, timely access to health services, extending financial protection to all, and addressing changing demographics and non-communicable diseases.
- b. There are also opportunities to further *leverage and facilitate access to digital technologies*, not only in times of crisis but equally important to facilitate the interaction between patients and services providers, support the development of health literacy among

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<sup>41</sup> One Health provides an integrated approach to managing zoonotic disease risk, working at the interface of veterinary medicine, human medicine, and environmental science to achieve optimal health for people, animals, and our environment. It focuses on prevention and risk reduction through country programs and investments.

the population and knowledge and skills among service providers, and the virtual integration of services across levels of care based on timely flow of data and information.

- c. ***Scaling up and extending One Health policies and tools*** would help to prevent future pandemics by safeguarding animal, human, and ecosystem health. Opportunities exist to increase incentives for good agriculture practices and to strengthen regulatory frameworks for food safety, markets and wildlife trade, and for mainstreaming healthy diets.
- d. ***Strong health care systems*** will be key to delivering the COVID-19 vaccine once available, and IDA's collaboration with the WHO and COVAX facility provides an opportunity to step-up support to clients to ensure timely and equitable distribution. Strong and resilient health will also be key to ensuring that other critical services, especially maternal and child health, continue during the pandemic.

39. **IDA is supporting countries to address the deepening learning crisis further exacerbated by COVID-19 response measures and build more inclusive, equitable and resilient education systems.** The crisis presents an opportunity for countries to rethink education delivery and scale-up innovations. For example, the acceleration of remote and blended learning can be used as a launching pad to build more equitable and resilient education systems and improve the ability to reach the most vulnerable. In *Ghana, Guyana, and Zambia* IDA supports computer-assisted learning technology to help teachers tailor instruction to students' learning needs, even more relevant now. In *Nigeria*, IDA is supporting the Edo State Government to accelerate a public-private partnership for education that serves 325,000 students: the program is delivering remote learning through interactive radio lessons, digital self-study packets, and storybooks. In *Pakistan*, IDA supports multimodal education and alternative paths for out-of-school children, with a focus on girls, through outreach and upgraded WASH facilities.

40. **IDA can enhance support to countries to invest in inclusive education systems to protect gains in education and support a more resilient recovery.** The need for remedial education, blended learning, and improved quality of service are now higher than ever, and there is a narrow window of opportunity to scale up and address them. The pandemic has highlighted the opportunity for IDA countries to refocus and accelerate investments to educate the workers of tomorrow. With additional resources, new operations could support strategic lines of action.

- a. Work is needed to ***close the digital divide*** through infrastructure investments and ensure that students have access to the digital devices and resources inside and outside of school.
- b. ***Strengthening teacher capacity*** can help teachers to remedy learning losses and accelerate progress of students, while operating in blended learning environments. Use of digital pedagogic resources and education content through radio and TV could also be expanded.
- c. There is a need to ***build capacity for more effective and resilient systems*** to accelerate learning and ensure continuous and individualized education wherever the student is, so that the system is better prepared for future shocks. These priorities offer a strong resilience focus to ensure that future shocks do not yield the same devastating results, as well as a

strong equity focus to address inequalities in the home and promote inclusion and learning of children with disabilities, displaced populations, and ethnic minorities.

41. **The COVID-19 crisis has exacerbated poverty and vulnerability and highlighted the need to develop effective social protection systems that invest in people and improve resilience to shocks.** Effective social protection systems are crucial to safeguarding the poor and vulnerable when crisis hits. ASP systems are designed to be able to scale up in case of a shock, by increasing the number of beneficiaries and/or providing exceptional transfers. IDA's work on ASP and social safety nets has helped to buffer shocks, including the COVID-19 crisis, and will be essential to protecting human capabilities and livelihoods and building long-term resilience to shocks. ASP measures have included the institutionalization of crisis contingency plans, expansion of social registries, development of post-shock needs assessment tools and the establishment of risk financing mechanisms. Social protection delivery systems are being made more robust, with the capacity to deliver support more quickly to more people by relying on local communities to deliver assistance in remote areas and FCV settings, and incorporating personal identification, social registries of poor and vulnerable households and electronic/digital payment mechanisms. The COVID-19 crisis has shown the benefits of such investments. For example in *Haiti*, a Contingency Emergency Response Component (CERC)<sup>42</sup> is providing cash transfers to support the immediate needs of poor households, while the *COVID-19 Response and Resilience DPO*<sup>43</sup> will strengthen institutional resilience to shocks over time through adoption of a national social protection and promotion policy. The *Sahel-ASP Program* supports social protection systems and promotes long-term resilience to climate change in *Burkina Faso, Chad, Mali, Mauritania, Niger and Senegal*. Social protection systems also provide an entry point for interventions that support inclusion of women, youth and vulnerable groups. The *Afghanistan Citizen's Charter Project*<sup>44</sup> is mobilizing communities to lead COVID-19 awareness campaigns: village leaders share life-saving information in small gatherings where attendees exercise social distancing and take public health measures. The work is now expanding to 90 percent of the country or 34 million people. In many IDA countries, ASP has proven to be a critical tool for greater inclusion and resilience.

42. **There is urgent need to scale up social protection infrastructure and other social sector interventions to restore the human capital of poor and vulnerable populations.** Supplemental resources would enable IDA to scale up and better focus its social sector programming to help IDA countries provide more sustained support to prepare for future shocks.

- a. As the crisis has both deteriorated the conditions for poor households and pulled more people into poverty, additional resources could help to **build a pathway out of poverty** by focusing on social inclusion and leaving nobody behind.
- b. There is also significant opportunity to broaden the scope of safety nets and build social infrastructure to respond to shocks, protect human capital, and build resilience beyond climate change, such as by **expanding the use of ASP and CDD platforms**. The COVID-19 crisis has confirmed the importance of cash transfers and community programs that can be rapidly scaled to protect livelihoods, provide basic services (especially for children),

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<sup>42</sup> The CERC is provided under the *Municipal Development and Urban Resilience Project* (P155201).

<sup>43</sup> Haiti COVID-19 Response and Resilience Development Policy Operation (P171474).

<sup>44</sup> Afghanistan Citizen's Charter Project (P160567).

disseminate critical public goods (such as pandemic information, handwashing stations), support care services vital during a pandemic, buffer the impacts of subsidy reforms, and provide timely micro-data on local dynamics and perceptions. Lessons and experience could be generalized to build resilience to all shocks.

- c. Investments could *support vulnerable communities facing the triple challenges of COVID-19, climate change and conflict* in the *Sahel, Horn of Africa, Lake Chad, Yemen, Bay of Guinea, and the DRC* among others. Greater climate finance and capacity building at the local and community levels could strengthen resilience to climate and other shocks.
- d. *Productive inclusion and support for livelihoods ecosystems* could help build sustainable livelihoods for the new and existing poor and vulnerable communities. As governments pursue economic restructuring, IDA could also intensify income support for the vulnerable while developing retraining and job search during employment transitions. More is especially needed to support urban informal sector workers who often lack social protection coverage, including through portable social insurance.
- e. *To ensure the continuity and resilience of social services for poor and vulnerable groups, including the newly poor*, IDA could target DFPs to deepen dialogue on the policy frameworks for these groups and support BBB interventions that strengthen health, education and social protection systems that can deliver an integrated package of services during future crises even when these affected populations are displaced.

### iii. Disability inclusion

43. **People with disabilities are especially hard hit by this crisis, and their inclusion will be integral to an inclusive recovery.** People with disabilities are more vulnerable to COVID-19, and the rationing of non-COVID-19 health services impacts them further. Many struggle to access services, including health, education, social protection, water and sanitation, and hygiene. Even before the crisis, IDA had committed to do more to support countries to foster disability inclusion. For example, the *Ghana Accountability for Learning Outcomes Project*<sup>45</sup>—which has now been expanded to respond to COVID-19—will improve the access, participation, and learning for children with disabilities. Meanwhile, the *Nigeria ID4D Project*<sup>46</sup> ensured that the perspectives of people with disabilities informed the design and outreach of the national ID program, to improve their access to IDs and therefore to public services that they especially need now. Looking forward, rebuilding better offers concrete operational opportunities to embed disability inclusion within programming. IDA could scale up support to help clients *ensure that universal access is embedded* in infrastructure and digital projects, and that *health care systems, including vaccine distribution* are designed in a manner inclusive of the needs of people with disabilities.

### iv. Debt sustainability

44. **Debt sustainability is essential to a sustainable and resilient recovery.** Supplemental IDA19 resources would be provided within the IDA19 framework and would therefore support

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<sup>45</sup> Ghana Accountability for Learning Outcomes Project (P173282).

<sup>46</sup> Nigeria Digital Identification for Development Project (P167183).

countries' efforts to make good choices and pursue a sustainable debt path, even in challenging times. First, IDA's grant allocation framework provides grants to those countries that are most vulnerable to debt distress and ensures net positive flows of resources to IDA countries at this critical time. Second, supplemental resources would be provided in line with SDFP implementation, which incentivizes countries to take actions toward a sustainable debt path, including through debt transparency, debt management and creditor outreach and coordination. This new policy is hence an important instrument to support countries move toward transparent and sustainable financing; lay the foundation for a robust and sustainable recovery after the crisis; and promote coordination between IDA and other creditors. These complement the efforts of the DSSI, which is helping countries to increase COVID-19-related spending and enhance debt transparency. These efforts are critical to making informed decisions for an inclusive and resilient recovery. For details on these issues, see the *Sustainable Development Finance Policy of the International Development Association: FY21 Board Update*.

**45. Through its specialized windows, IDA is supporting countries to find best-fit BBB solutions and deliver results at scale. See Box 4.**

#### **Box 4. IDA Windows: Supporting a Greener, more Inclusive and Resilient Recovery**

**The Private Sector Window (PSW)** is supporting green infrastructure and financial inclusion, while screening all projects through climate change, gender, and JET lenses. The *Nepal Upper Trishuli-I* 216-megawatt hydroelectric project will improve access to clean and reliable electricity and establish best practice for construction, contracting and tariffs for private sector engagement in the Nepali hydroelectric sector. The expansion of *BBOX Capital Ltd.*'s operations in the *DRC* and *Rwanda* is delivering clean and reliable energy to rural and underserved communities, while *Malawi's 60-megawatt solar photovoltaic project* offers an alternative and renewable source of electricity in a country heavily reliant on hydroelectric generation. The *Africa Medical Equipment Facility* project will improve the access to medical equipment in several sub-Saharan African countries. The PSW is poised to support green, resilient and inclusive recovery in areas such as digital technology, financial inclusion, and clean energy access.

**The Regional Window (RW)** has supported crisis response while incentivizing regional solutions for a resilient and inclusive recovery. The *East Africa Public Health Laboratory Networking Project* and *Africa Center for Disease Control and Prevention* projects have strengthened national and regional capacity for collaborative disease surveillance and epidemic preparedness. The RW is supporting climate resilience through the *Climate Adaptation and Resilience for South Asia project* which supports *Bangladesh, Pakistan* and *Nepal* to develop standards for resilient infrastructure and mainstream climate adaptation into national development plans. The *Caribbean Digital Transformation Project* supports *inclusive* and *resilient* recovery in *Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines* by improving internet access, digital banking, online public services, and digital skills development. The RW will also support single-country operations with a strong focus on prevention of and preparedness for natural disasters, health pandemics and adoption of innovative technologies.

**The Scale Up Window (SUW)** supports projects that drive economic transformation; crowd in resources; support *resilience* building; and deliver cross-border benefits, including through low-carbon development and in support of countries' NDCs. The *Kenya Marine Fisheries and Socio-Economic Development Project* is supporting climate resilience, biodiversity and *inclusive* development by reducing economic inefficiencies, maintaining healthy fish stocks and rebuilding the industry to include youth and women who had traditionally been excluded from the sector. The *Bangladesh Private Investment and Digital Entrepreneurship Project* is supporting economic growth and job creation by addressing supply-side constraints to manufacturers and digital service providers. The *Benin Agricultural Competitiveness and Export Diversification Project* increases productivity, connectivity, value addition and resilience of key value chains while supporting the government's ability to offer an enabling agribusiness environment. Looking forward, SUW priority areas include agricultural transformation and value chain modernization, low-carbon development and efficient natural resources management.

The **CRW** provides immediate support during and after crises, but also *advances building back better* as crisis responses generally integrate elements of resilience building. Following the 2015 earthquake in *Nepal*, the *Earthquake Housing Reconstruction Project* supported resilience efforts by reinforcing homes with multi-hazard resistant features and disbursing housing grants directly to beneficiaries' bank accounts, 30% of whom were women. In response to Tropical Cyclone Gita in 2018, the *Tonga: Pacific Resilience Project* under the Pacific Resilience Program supported school recovery and reconstruction by retrofitting existing school buildings to withstand greater windspeeds. The *Ethiopia COVID-19 Emergency Response Project* has been instrumental in helping to swiftly ramp up Ethiopia's national response by bolstering capacity for testing, tracing, isolating and treating novel viruses. The project also strengthens the country's disease surveillance and response system to deal with future outbreaks. In IDA19, the CRW requires recipients to demonstrate a stronger focus on prevention and preparedness in their post-crisis country programming. Ensuring explicit linkage between CRW usage and subsequent country programming reinforces crisis preparedness.

The **Window for Host Communities and Refugees (WHR)** helps clients to respond to the refugee crisis—which has been compounded by COVID-19—with green, inclusive and resilient solutions. For example, the *Uganda Investing in Forests and Protected Areas for Climate-Smart Development Project* aims to strengthen forest management, address environmental degradation, and improve energy access. Operations in several countries help clients to transition service delivery from humanitarian to more sustainable government-led models. The *Ethiopia Urban Productive Safety Nest and Jobs Project* is among the first Government-led attempts to extend safety net and livelihood opportunities to refugees, a critical step from humanitarian assistance to inclusive sustainable development. The project employs a graduation approach to foster economic inclusion among Ethiopia's urban poor through a public works and livelihood development program. The WHR is instrumental in ensuring this vulnerable group is not left behind, and in finding resilient development solutions.

## IV. WAY FORWARD

46. **Looking forward, BBB requires support and resources well beyond what IDA countries can mobilize themselves or what development partners are currently providing.** As a result of the dual challenge, client needs are far greater than was envisaged during the IDA19 replenishment. To rebuild better in an uncertain world and restore sustained progress to the 2030 Agenda, IDA countries call for exceptional support from the international community, including IDA. Responding to that call is in the shared interest of all IDA Members.

47. **IDA has a key role to play in helping countries to BBB and restore progress toward the 2030 Agenda.** In this transformed world, achieving sustainable development progress has become harder and more complex. A global BBB response will be required, with calibrated actions by governments and many national and international partners. Within this coalition, IDA can contribute uniquely due to its capacity to: (i) source BBB ideas from all corners of the world and offer an integrated, evidence-based approach to complex development problems; (ii) advance this multi-faceted agenda through analytic work, policy dialogue, convening, and finance; and (iii) support client countries at scale through existing relationships, partnerships and a strong ground presence. Within the global coalition, IDA plays a critical role as it often provides foundational support that both clients and other development partners build upon. IDA also has a track record of delivering value-for-money interventions that tackle the biggest development problems in an accountable and synergetic manner, working in concert with national and international partners.

48. **IDA resources have supported *green, inclusive, and resilient solutions* since the onset of the crisis, and before it, because these principles are embedded in the way IDA works.** IDA operations in health, social protection, disaster risk management, and financial preparedness, to name a few, have strengthened institutions and increased resources that are now being mobilized. The IDA19 framework, its Special Themes and Cross-cutting Issues, are thus prescient to today's challenges, and interventions underway provide a solid foundation upon which to selectively scale up BBB efforts. Looking forward, IDA's capability to scale-up BBB interventions has never been more important: yet its resources have already been partially used to provide exceptional support in the early stages of the crisis, and more will be used to finance vaccines for the poorest countries. Thus, IDA19 concessional finance – including much-needed grants – for the BBB agenda is severely constrained in FY22 and FY23.

49. **With additional resources, IDA can scale up and accelerate its support for countries to pursue a *greener, more inclusive, resilient recovery*.** There is strong client demand for IDA19 resources to BBB: these demands are converging on emerging focus areas within the IDA19 Special Themes and Cross-cutting Issues. On *JET*, IDA countries need to enact deeper structural reforms to restore, create and expand markets to seize opportunities in the post-pandemic world, including by expanding digital and green economy solutions, stimulating inclusive value chains, and saving viable firms and associated jobs. On *Climate Change*, there is scope to deepen support for national climate and biodiversity action plans. There are significant opportunities to scale up green infrastructure, strengthen climate resilience and capacity at the local level, and build monitoring systems to identify emerging risks and issue early warnings that are then integrated with social protection systems. On *Gender*, IDA is being asked to scale-up interventions that address the fast backsliding that women and girls are experiencing on many fronts, build their



resilience, and ensure their inclusion in the recovery. On *FCV*, risks are rising, and client needs are vast, so there are significant opportunities for IDA to help tackle FCV drivers through the recovery process, in addition to acute needs on food security. On *Governance and Institutions*, countries need to step up a suite of reforms that restart growth and promote equity, including to deepen green tax reform, promote voice and accountability for BBB investments, strengthen infrastructure governance, and innovate through GovTech. On *Human Capital*, the crisis has redoubled demand for interventions that strengthen social service delivery, especially to expand the use of ASP to build resilience to various shocks. There is also strong demand for interventions to strengthen health and education systems for a more robust systemic approach to human capital development. On the *inclusion agenda*, the crisis has raised voices for greater social inclusion, citizen engagement and open dialogue, creating opportunities to ensure that the recovery leaves nobody behind, including people with disabilities. On *debt sustainability*, additional resources would support ongoing efforts including the SDFP and DSSI, to incentivize countries to pursue a sustainable debt path. On *digital development*, opportunities abound but IDA countries are far behind: they need a surge of help to close the digital divide so that technology can be a force multiplier for better service delivery and inclusive growth.

50. **The IDA19 framework provides a ready vehicle to drive IDA countries toward a greener, more inclusive, and more resilient recovery.** IDA's response to exceptional client demand would occur within the IDA19 framework, with its country-based model. As outlined above, areas of commonality and streams of potential work programs are emerging. The precise areas to rebuild better vary in each country and across regions. The country program provides the venue to selectively prioritize interventions and best-fit partnerships. The IDA Special Themes and Cross-cutting Issues ensure systematic focus within that country program. Many of these BBB opportunities lie at the intersection of these Special Themes and Cross-cutting Issues. Their operationalization requires the kind of cross-sectoral collaboration and multi-disciplinary expertise that few institutions can deliver. IDA's focus on rebuilding better will inform the analytic work, dialogue and convening, which in turn feed the IDA operations at scale. IDA's review processes also help to operationalize the BBB approach. IDA thus provides a proven model to ensure systematic focus on key priorities and deliver results at scale.

51. **The COVID-19 crisis is the greatest test for IDA in its history.** IDA countries are grappling with a historic set of challenges to rebuild better. They call on the support of the international community, including IDA. For details on how this would be financed, see the companion IDA paper, *Addressing the Need for Increased IDA Financing*. IDA stands ready to scale up support to help countries to pursue a *greener, more inclusive, and resilient recovery*.