



**World Bank Group Response to  
Global Impacts of the War in Ukraine**

*A Proposed Roadmap*

**April 12, 2022**

## List of Acronyms

BOP	Base of the Pyramid	IDA20	IDA20 Replenishment
CCAP	Climate Change Action Plan	IEG	Independent Evaluation Group
CCDR	Country Climate and Development Report	IFC	International Finance Corporation
CERC	Contingent Emergency Response Components	IOM	International Organization for Migration
CF	Common Framework	IPF	Investment Policy Financing
COVID-19	Coronavirus Disease 2019	PPE	Personal Protective Equipment
CPF	Country Partnership Framework	LDC	Least Developed Countries
CPSD	Country Private Sector Diagnostic	LICs	Low-Income Countries
CY	Calendar Year	MDBs	Multilateral Development Banks
DDO	Deferred Drawdown Option	MFI	Micro-financial Institutions
DPF	Development Policy Financing	MICs	Middle-Income Countries
DRM	Domestic Resource Mobilization	MIGA	Multilateral Investment Guarantee Agency
DSSI	Debt Service Suspension Initiative	MSMEs	Micro, Small and Medium-sized Enterprises
ECA	Europe and Central Asia	NBFI	Non-bank Financial Institutions
EFI	Equitable Growth, Finance and Institutions	NDCs	Nationally Determined Contributions
EMDEs	Emerging Market and Developing Economies	PCM	Private Capital Mobilization
FAO	Food and Agriculture Organization	PLR	Performance and Learning Review
FCS	Fragile and Conflict-affected Situations	PSW	Private Sector Window
FCV	Fragility, Conflict and Violence	RAP	Results and Performance
FDI	Foreign Direct Investment	RRA	Risk and Resilience Assessment
FSF	Financial Sustainability Framework	SCD	Systematic Country Diagnostic
FTCF	Fast-Track COVID-19 Facility	SDFP	Sustainable Development Finance Policy
FY	Fiscal Year	SDG	Sustainable Development Goals
G20	Group of Twenty	SME	Small and Medium-sized Enterprises
GDP	Gross Domestic Product	TDB	Trade and Development Bank
GPGs	Global Public Goods	UN	United Nations
GRID	Green, Resilient, and Inclusive Development	UNICEF	UN International Children's Emergency Fund
HDP	Humanitarian Development Peace	UNHCR	UN High Commissioner for Refugees
IBRD	International Bank for Reconstruction and Development	WB	World Bank
IDA	International Development Association	WBG	World Bank Group
IDA18	IDA18 Replenishment	WFP	World Food Programme
IDA19	IDA19 Replenishment		

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## Executive Summary

- i. **The war in Ukraine is having worldwide impacts, with enormous human and economic consequences that continue to unfold.** This new crisis – for Ukraine, for countries hosting refugees from Ukraine,<sup>1</sup> and for developing countries affected by the worldwide economic impacts – comes at an exceptionally challenging time for poor people already hit by the pandemic, conflict and climate change. The war threatens to further set back progress toward poverty reduction and shared prosperity, and delay green, resilient and inclusive development. It is likely to deepen inequality across and within countries for decades to come.
- ii. **In Ukraine, the direct and immediate toll of the war is vast, including devastation of Ukraine’s economy, infrastructure and living standards.** Russia’s invasion of Ukraine has led to death, disability and displacement; interrupted human capital formation; and caused large-scale job and income losses. The war is rapidly eroding social conditions, with differentiated impacts, including on refugees, internally displaced people (IDPs), host communities, and vulnerable groups – especially women, children, the elderly and the disabled. More than 1 in 4 Ukrainians was forcibly displaced within a span of five weeks, including over half of Ukrainian children. Pressures are mounting on countries in the Europe and Central Asia (ECA) region that have received more than four million refugees, lost access to workers’ remittances, and face the threat of war spreading beyond Ukraine’s borders.
- iii. **Across the wider developing world, the economic and social impacts are spreading through multiple channels, including commodity markets, trade, financial flows, and market confidence.** These impacts are differentiated by country circumstances (i.e., fuel importers versus exporters). The conflict is eroding global confidence, weakening growth, increasing fiscal and financial stress, and worsening food and nutrition insecurity. If protracted, it could also exacerbate policy uncertainty and lead to lasting fragmentation of global trade and foreign investment networks – channels that have historically played a central role in supporting global economic growth and poverty reduction.
- iv. **Importantly, the war’s global repercussions are aggravating the large-scale, ongoing effects of the COVID-19 pandemic and climate change. Compounding the impacts of the pandemic and the climate crisis, including extreme weather such as droughts and floods, ripple effects of the war will likely aggravate hunger, malnutrition, food insecurity and deprivation for millions of people around the world.** For policymakers, the war’s impacts will further narrow already limited fiscal space and heighten demands – provoking difficult tradeoffs and new risks that urgent needs will displace focus on long-term development, including the climate agenda. Higher prices for basic necessities, increased scarcity and worsening inequality across and within countries could further increase social disruption and exacerbate fragility, conflict and violence.
- v. **The World Bank Group is redoubling efforts to help clients address the severe and growing impacts of the war in Ukraine while continuing to respond to compounding crises – particularly the COVID-19 pandemic and climate change – and pursue durable recovery. Anchored in the WBG twin goals and with continued focus on fostering Green, Resilient and Inclusive Development (GRID), this proposed Roadmap summarizes the ongoing and proposed WBG response to the global impacts of the war in Ukraine.** It integrates lessons learned; highlights key uncertainties and risks; and draws on WBG comparative advantages – including optimizing synergies and coordination across the World Bank, IFC and MIGA.
- vi. **The Roadmap discusses the WBG’s initial short-term response and outlines a medium-term, targeted approach encompassing the 15 months from April 2022 to June 2023.** In the remaining

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<sup>1</sup> Reference is inclusive of third-country nationals.

quarter of FY22 (April – June), the WBG intends to prioritize an initial crisis response with total commitments of around \$50 billion. The initial WBG response will include increasing support to (i) Ukraine, (ii) countries hosting refugees from Ukraine, and (iii) the wider developing world to address crisis impacts on the poor and vulnerable. This will build on the results achieved under the COVID-19 Crisis Response. While supporting the needs arising from the war in Ukraine, the WBG will promote sustained focus on longer-term development priorities that are integral to the achievement of the WBG twin goals of eliminating extreme poverty and promoting shared prosperity in a sustainable manner. Food prices in real terms are going up rapidly in the context of current and anticipated supply constraints. It is critical to avoid making the situation worse by imposing export restrictions and price controls. Enabling market access and protecting the population against food vulnerabilities through social transfers are central to the WBG response. The WBG’s medium-term response, comprising surge financing to facilitate strong client engagement and meet heightened client demand across the WBG client base, will be set out in a Global Crisis Response Framework Paper to be presented to the Board by end-June 2022.

vii. **Over the coming weeks, Management will explore with its Board of Executive Directors options to put in place a 15-month WBG crisis response envelope of around \$170 billion for the period from April 2022 to June 2023.** This will support developing countries as they address the human and development setbacks caused by compounding crises – impacts of the war, including food and fuel price shocks, and disruptions to trade, supply chains and Foreign Direct Investment (FDI); the COVID-19 pandemic; and climate change. Support for Ukraine, its reconstruction, its people and impacted nearby countries will be integrated, and supported by analytical work.

viii. **Comprehensive and customized WBG engagement will extend across the client spectrum,** including low-income countries (LICs); middle-income countries (MICs); fragile and conflict-affected states (FCSs) and small states. In concert with its development partners, the WBG surge crisis response will provide focused support for developing countries as they confront the impacts of the war. In addition to addressing the impact of the war in Ukraine, the proposed surge financing will sustain WBG high impact support for responding to the COVID-19 pandemic, accelerating climate change adaptation and mitigation, as well as promoting durable economic recovery through GRID. Strong partnerships at the international and national level will be integral to WBG crisis response and client engagement.

## INTRODUCTION

1. **The war in Ukraine is provoking a worldwide crisis, with horrific human impacts and economic consequences.** At its center is the devastation being wrought on Ukraine’s people, economy and infrastructure. Alongside this destruction stands a forced displacement of people that is rapid and immense by historical standards. The broader social and economic impacts at the global level are also devastating, with disproportionate impacts on the poor and vulnerable in developing countries. Impacts of the war are likely to deepen inequality across and within countries, including gender inequality. Broader repercussions on the global economy include lower growth, increasingly tight financial conditions, and increased prices for consumer goods among others in the context of deep and wide-ranging uncertainties.

2. **At the outset of 2022, the global economic outlook was clouded by rising inflation, debt,<sup>2</sup> and income inequality; food and fuel price hikes and supply chain disruptions provoked by the war pose additional risks.** The economic and social shockwaves of the war are being felt globally through commodity and financial markets, trade and migration linkages, and investor and consumer confidence. Higher prices and supply shortages for food, fuel and other commodities are having immediate impacts at the household level through increased hunger and deprivation. Developing countries will be further hit by second order economic, fiscal, and financial impacts as the war in Ukraine affects the global recovery from the COVID-19 pandemic.

3. **The still unfolding impacts of the war in Ukraine demand decisive action to protect the poor and vulnerable, boost the response capacity of developing countries, and restore momentum on longer-term development goals in a world beset by compounding crises.** While impacts of the war differ across countries, for most developing countries, the war’s immediate impacts translate into higher fuel import bills, increased debt risks and added financial stress. For vulnerable households, the war’s impacts will mean higher prices for bread and other food staples, and increased hunger and malnutrition. Across the board, developing countries – already struggling with the havoc wreaked by COVID-19, the worsening impacts of climate change, and increases in fragility, conflict and violence – now face deeper policy uncertainties and further diminished growth prospects. The combined impacts of these simultaneous crises are increasing extreme poverty and inequality, eroding food and nutrition security, upending gains in human development, and worsening the economic and fiscal outlook of countries across the WBG client base. This confluence of crises is creating an even more adverse environment for long-term development including the WBG twin goals. The international community will need to sustain and expand its response as the global implications of these crises reverberate over time.

4. **The World Bank Group will engage with speed, scale, focus and agility as part of the global crisis response, including in Ukraine and the wider developing world.** The crisis response will draw on core WBG comparative advantages, maximize WBG synergies, and be rooted in long-term development goals and the global public goods (GPG) agenda, leveraging partnerships and global cooperation, and integrating lessons learned – particularly from previous crises. Anchored in the WBG twin goals and the GRID agenda, this proposed Roadmap summarizes the ongoing and proposed WBG response to the global impacts of the crisis. The Roadmap outlines the WBG’s initial short-term response to be followed closely by a medium-term, strategically targeted approach for 15 months (April 2022 through end-June 2023) and highlights key uncertainties and risks regarding the medium- to longer-term WBG response. The following note discusses: (i) the rapidly expanding global crisis; (ii) the WBG Crisis Response – a proposed roadmap; (iii) partnerships and (iv) a conclusion and next steps.

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<sup>2</sup> For more, see “Making Debt Work for Development and Macroeconomic Stability.” Development Committee Paper, 2022.

## I. RAPIDLY EXPANDING CRISIS – NATIONAL, REGIONAL, AND GLOBAL<sup>3</sup>

5. **The war has unleashed a global crisis.** The impacts include immense suffering and costs in Ukraine, massive displacement of people within Ukraine and to nearby countries, and a rapidly escalating economic and social shock to many developing countries around the world.

6. **Ukraine’s economy is being devastated.** In 2014, Ukrainian GDP shrank more than 16 percent following the Euromaidan crisis and the outbreak of armed conflict in the eastern Donbas region. The damage from the current conflict will be considerably worse given its much larger geographical impact and intensity. Urban centers in many parts of the country have been badly damaged; vital economic and social service infrastructure (including power generation, digital infrastructure, bridges and ports) has been destroyed or rendered unusable; and as of the end of March, nearly 6 million Ukrainians had little or no access to safe water. Local estimates suggest the financial value of infrastructure destroyed exceeds \$60 billion. To support the economy and ease pressures on foreign exchange reserves and banks, Ukraine imposed an emergency and announced tax deferrals, while fully meeting domestic and external debt obligations. While emergency measures have helped mitigate the pace of macroeconomic and financial collapse, Ukraine will require additional external financial assistance to support reconstruction and recovery and to help anchor fiscal sustainability.

7. **Within six weeks of the war’s onset, around a quarter of the Ukrainian population – roughly 11 million people – had been forcibly displaced.** By early April 2022, approximately 7.1 million people were displaced internally and roughly 4.4 million people, including over 200,000 third-country nationals, were displaced across international borders.<sup>4</sup> The young are bearing the brunt of the disruption and displacement, with over half of Ukraine’s 7.4 million children forcibly displaced by the end of March, alongside a heavy toll on the vulnerable – including women, the elderly and the disabled.<sup>5</sup> Older women and single mothers comprised the majority of Ukraine’s poor before the war, and recent analysis in March 2022 signals a deepening of pre-existing gender-based inequalities.<sup>6</sup> In the context of historic levels of forced displacement, risks related to gender-based violence (GBV) and human trafficking are mounting. Refugee flows are adding pressure to the capacities and economies of nearby countries in the ECA region already strained by impacts of the COVID-19 pandemic, and the threat that the conflict could spread beyond Ukraine’s borders is a major new source of uncertainty.

8. **Beyond the devastation in Ukraine itself, the war is generating regional and global economic and social impacts through multiple channels.** It has already caused the largest refugee crisis in Europe since the Second World War, surges in commodity prices, disruptions to global trade, and financial market volatility. These will have consequences that can have permanent effects in the absence of a robust policy response. The war has triggered food and fuel price increases in emerging market and developing economies (EMDEs) and is aggravating risks of food and nutrition insecurity. It is also provoking faster-than-expected monetary policy tightening both in EMDEs and advanced economies. If prolonged, the war could result in accelerated capital outflows and higher financing costs for developing countries, leading to heightened fiscal and financial stress. The local private sector is particularly vulnerable, putting at risk employment and income generating activities. The war could also heighten policy uncertainty, introduce new volatility, fragment global trade and foreign investment networks, and weaken global, regional and national growth prospects that were already deteriorating before the war.

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<sup>3</sup> This section draws heavily from the EFI Policy Note, *Implications of the War in Ukraine for the Global Economy*, April 2022.

<sup>4</sup> UNHCR Ukraine Situation Flash Update #7 (April 6, 2022) and IOM. <https://www.iom.int/news/71-million-people-displaced-war-ukraine-iom-survey>.

<sup>5</sup> UN News: <https://news.un.org/en/story/2022/03/1114592>

<sup>6</sup> <https://www.unwomen.org/en/news-stories/news/2022/04/rapid-gender-analysis-in-ukraine-reveals-different-impacts-and-needs-of-women-and-men>



## Economic Impacts

9. **Countries in the ECA region are experiencing considerable economic damage given relationships with Russia and Ukraine spanning trade, finance, and migration among others.** Linkages are especially close in Eastern Europe, the South Caucasus, and Central Asia. A steep slowdown in Russia and Ukraine will affect nearby countries through disruptions to trade, financial, and remittance flows; disruption of supply chains and transport links; impacts on digital connectivity and associated digital services; and heightened risk perceptions by investors. Higher energy prices are having important knock-on effects on the affordability and financial viability of electricity and heating. Remittances from Russia are expected to drop substantially affecting economies such as Tajikistan and the Kyrgyz Republic. Russia and to a lesser extent Ukraine are also major export destinations for several ECA economies and an important source of tourists to some countries in and beyond the region. The wave of refugees from Ukraine will test the capacity of Central European economies to mobilize aid to meet immediate needs and, if the crisis lasts, to integrate migrants. The health, education, and social protection systems in some host countries already had challenges to deliver services to more remote areas and to include marginalized groups. This could impact host countries' abilities to provide basic services and impact refugees. Support will be needed for both refugees and host communities to avoid overwhelming local public services.

10. **The most immediate channel for the war's wider global impact on EMDEs is through trade in commodities.**<sup>7</sup> Wheat is the most important traded food grain in terms of the volume and value of global trade; while oil, gas and coal are the most important fuels. Russia is a major exporter of all four, as well as synthetic fertilizers. Ukraine is also a large exporter of wheat and cooking oil. The war and sanctions have already raised the prices of these commodities (Figure 1A). The rise in commodity prices comes on top of sharp increases since January 2022. In addition to geopolitical risk premia, the overall rise in prices has been driven by rebounding demand for commodities as the global economy recovers. If high wheat and corn prices persist, they could lower real household income in EMDEs by an estimated 1.5 percent, with some countries facing losses as high as 5 percent. The share of food in consumption spending in poor countries is more than twice that in advanced countries, so these developments will increase global poverty.

11. **Global effects of the war include its impact on policies to contain inflation in advanced economies and the potential for contagion in financial markets.** Rising food and fuel prices due to the war have increased inflation in the US and Europe as well as EMDEs, and financial markets expect faster monetary tightening than anticipated in January as a result. This would lead to capital outflows and raise borrowing costs for indebted countries. Countries subsidizing food staples and energy face growing fiscal strains. Second-round effects could also be triggered by contagion in financial markets. Before the war, over 50 EMDEs were already in or at high risk of debt distress, reflecting substantial debt accumulation and a pre-war global economy weakened by tepid growth and the pandemic crisis (Figure 2A).

12. **These immediate and indirect effects are mutually amplifying and increase the likelihood of a hard landing for the global economy.** Following a strong rebound in 2021, the global economy was entering a pronounced slowdown prior to the onset of the war – with global growth expected to decelerate from 5.5 percent in 2021 to 4.1 percent in 2022 and 3.2 percent in 2023.<sup>8</sup> The global recovery was envisioned to be markedly uneven, with that of EMDEs lagging substantially behind advanced economies (Figure 2B). The war's impacts add new risks and substantial uncertainty to the global economic outlook. While some commodity-exporting EMDEs may benefit from the increase in energy and agricultural prices, commodity-importing EMDEs are likely to suffer due to a deterioration in terms-of-trade, a softening of

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<sup>7</sup> *Russia* is the world's largest exporter of *wheat*, accounting for 18 percent of global exports; Russia is also the largest exporter of *natural gas* (25 percent), *palladium* (23 percent), *nickel* (22 percent), and *fertilizers* (14 percent). It also accounts for 18 percent of global exports of *coal*, 14 percent of *platinum*, 11 percent of *crude oil*, and 10 percent of *refined aluminum*. *Ukraine* is the largest exporter of *seed oils* primarily used in cooking, accounting for two-fifths of global production, and is also the fourth largest exporter of *corn*, accounting for 13 percent of global exports. Ukraine also accounts for a further 7 percent of global *wheat* exports. It produces up to 50 percent of global neon gas, which is a critical element used in chipmaking. (Source: EFI Policy Note, *Implications of the War in Ukraine for the Global Economy*, April 2022)

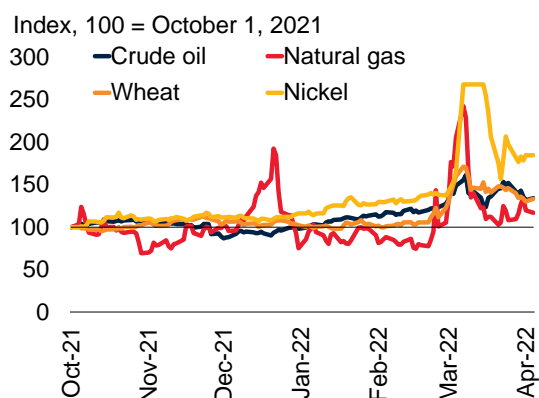
<sup>8</sup> *Global Economic Prospects*, January 2022. (Update pending.)



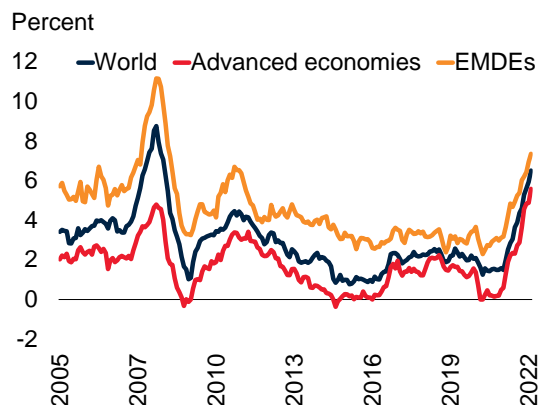
advanced-economy growth, a deceleration in trade, and a substantial tightening of financing conditions due to rising inflation (Figure 1B) and higher borrowing costs. The potential for uncoordinated policy responses taking the form of subsidies, export controls, and price controls poses considerable risk. The war could also aggravate geopolitical tensions, trigger financial stress, worsen refugee crises, exacerbate food insecurity, amplify inflationary pressures, undercut multilateralism, and further weaken long-term growth drivers. The risks could be magnified by global vulnerabilities.

**Figure 1: Immediate impact of the war: Commodity markets and Inflation**

**1A. Commodity prices since October 2021**



**1B. Inflation rates since 2005**



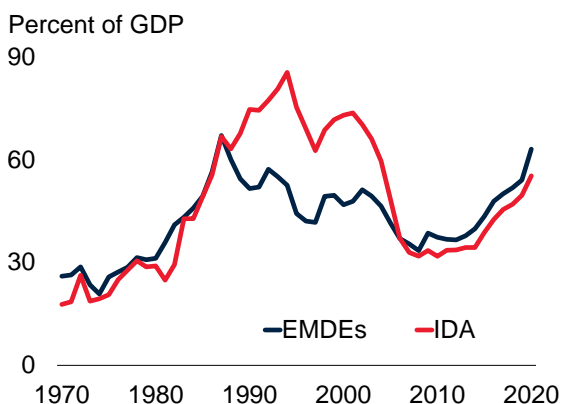
Sources: Bloomberg; International Energy Agency; World Bank.

A. Crude oil refers to Brent, Natural gas refers to European natural gas. Last observation is April 4, 2022.

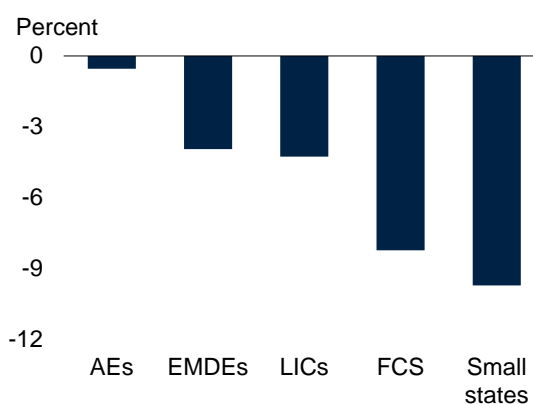
B. CPI refers to consumer price index. Year-on-year group median inflation for 81 countries, of which 31 are advanced economies, 50 are EMDEs and 15 are ECA countries.

**Figure 2: Debt to GDP and uneven global recovery**

**2A. Government debt**



**2B. Deviation of output from pre-pandemic trends in 2022**



Sources: International Monetary Fund; Kose et al. (2021)<sup>9</sup>; World Bank.

Note: EMDEs = emerging market and developing economies; FCS = Fragile and conflict-affected situations; IDA = International Development Association countries. LICs = Low-income countries

A. Aggregates are weighted averages using current GDP in U.S. dollars as weights. IDA includes countries eligible for IDA support, including blend economies, which are IDA-eligible based on per capita income levels and are also creditworthy for some IBRD borrowing.

B. Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates. Figure shows the percent deviation between the levels released in the January 2020 edition of the Global Economic Prospects report (World Bank 2020). The small states sample is limited to 32 EMDEs because of data availability; the aggregate excludes commodity-reliant Guyana, which is experiencing a growth boom due to rapid offshore oil industry development.

<sup>9</sup> Kose, M. A., P. Nagle, F. Ohnsorge, and N. Sugawara. 2021. *Global Waves of Debt: Causes and Consequences*. Washington, DC: World Bank

13. **Importantly, reduced oil and gas exports from Russia could raise energy insecurity across Europe and EMDEs more broadly, potentially complicating progress on climate change.** Spiking energy prices are likely to increase energy poverty, as prices feed through into electricity tariffs, heating tariffs and the cost of transportation fuels. The ECA Region will be particularly hard hit, although the impacts will spread more widely. Rising fuel prices will also further undermine the financial viability of power utilities, particularly in Africa and the Middle East, leading to a worsening climate for investments in electrification and decarbonization. More broadly, the war in Ukraine has ambiguous implications for the global climate agenda. While near-term effects could be negative, as countries prioritize energy security over decarbonization efforts, the war may add urgency to efforts to decrease dependence on fossil fuels and accelerate investment in renewable energy and energy efficiency. Broader impacts on the environment and natural resources (for example, on forest and landscape degradation) are also likely.

### *Far-reaching social impacts, particularly on the poor and vulnerable*

14. **Impacts of the war in Ukraine pose acute risks for the poor and vulnerable across WBG clients, aggravating the impacts of simultaneous crises – particularly the pandemic and climate change.** The COVID-19 pandemic is estimated to have set back gains in reducing global poverty by 3-4 years (and by 8-9 years in LICs), with 97 million more people in poverty because of the pandemic in 2021. Initial DEC research estimates that a prolonged war will lead to a welfare loss for the average household in 43 out of 53 low-income countries surveyed (with an average real income loss of -1.5 percent). Because poorer households often suffer systematically larger welfare losses, protracted price increases will undercut prosperity in many WBG client countries – even in countries that export commodities whose price will increase due to the war. For policymakers across countries, the war’s impacts will further narrow already limited fiscal space and heighten demands – provoking difficult tradeoffs and new risks that urgent needs will displace focus on long-term goals, including the climate agenda.

#### ***Box 1: Differentiated impacts of the war across Sub-Saharan Africa.***

Countries in the Horn of Africa (Ethiopia, Somalia, Sudan) and in the Sahel region are the most vulnerable to fallout from the war in Ukraine due to their heavy dependence on imports of wheat and cereals. Beyond the Horn and the Sahel, early estimates suggest that Burundi, Eswatini, Mauritius and Zimbabwe will be among those experiencing significant negative terms of trade shocks, as high as 4 percent of GDP. Exporters of metals and minerals, such as Angola, Cameroon, Nigeria, and South Sudan may benefit from improvements in terms of trade, though in some cases (e.g., Cameroon and Nigeria) the external and fiscal accounts will be partially eroded by fuel subsidies. The social impact of the crisis is likely to be significant. *Preliminary estimates indicate that the war in Ukraine could push more than 10 million more people into poverty due to higher food prices.* In Nigeria alone, rising prices could push 1 million more people into poverty in 2022. Moreover, the short-term impact of the higher prices will be compounded by the long-term effect of higher fertilizer prices that will negatively affect domestic food production. The poverty impact will ultimately depend on the ability of countries to protect vulnerable populations. The WBG is undertaking analytical work to better understand the transmission channels and the magnitude of the impact of the crisis to inform a robust and comprehensive operational response.

15. **Commodity price shocks have differentiated impacts across regions as well as between countries (for example, net importers versus net exporters) and within countries depending on policies, institutions and existing levels of inequality.** Countries that are heavily dependent on wheat, grain and fertilizer imports, particularly in Sub-Saharan Africa (Box 2) and the Middle East and North Africa region, could see disproportionate impacts on inflation and food insecurity. Short-term impacts in the Latin America and Caribbean region are already being felt in inflation and tightening financial conditions. World Bank estimates for South Asia point to a decline in real income growth because of the war – 1.3 percentage points due to slower GDP growth and one percentage point due to terms-of-trade losses. Similarly, in East Asia and the Pacific, countries that are large importers of fuel and food are seeing a decline in real incomes while countries with large debt and high dependence on exports are susceptible to global financial and growth shocks. Countries that are heavily dependent on Ukrainian and Russian tourists

– from Turkey, Egypt and Sri Lanka to the Maldives – are likely to see export revenues from tourism contract. Small States, already hard-hit by the pandemic and climate change, face intensifying challenges on several fronts as a result of the war’s impacts (Box 2).

**Box 2: Impacts of the war in Ukraine on Small States**

Small States experienced a deep economic contraction in 2020 due to the COVID-19 pandemic, and their recovery is weaker compared to other EMDEs. The war in Ukraine is expected to further undermine the sluggish post-COVID recovery of small states, due to their especially sharp vulnerabilities to external shocks and potentially slower global growth. Most small states are net food and fuel importers, and persistently high prices will result in deteriorating external accounts and adverse social impacts. Monetary tightening in advanced economies in response to accelerating inflation will also result in fiscal and financial stress and higher international borrowing costs in EMDEs, which will disproportionately affect small states as many already face high debt vulnerabilities. In small states at the lower end of the income spectrum with relatively high poverty rates (mostly in Africa and MNA), the adverse social impact of higher international food and fuel prices is expected to be particularly substantial. Households and firms in small Caribbean states that depend heavily on petroleum to supply their electricity needs will face rising energy costs that will further slow their COVID recovery. Small island states in the Pacific are likely to see transport costs – among the highest in the world due to their remoteness – escalate further. In addition, the long-awaited recovery of the tourism sector in small states – particularly Montenegro, Maldives, and Seychelles – will be directly affected by a fall in Russian and Ukrainian tourists, who accounted for 20 to 30 percent of all tourist arrivals in these countries in 2021.

16. **Increased hunger and food insecurity, including risks to nutrition security, dominate the war’s global development impacts.** Setbacks to the global goal to end hunger are multiplying (Box 3). According to FAO estimates from October 2021, nearly 2.37 billion people did not have access to adequate food in 2020 – an increase of 320 million in one year alone.<sup>10</sup> The immediate food security impacts of the war in Ukraine are on countries heavily dependent on Ukrainian and Russian imports and on importers more broadly given the sharp increase in world wheat prices. The impacts will also affect private agribusinesses and traders, who are integral to well-functioning food systems. The pronounced spike in the prices of key staples provoked by the war poses an added critical risk to food and nutrition security at the global level, while skyrocketing prices of fuel and fertilizers have the potential for impacts across commodities and regions for years to come.<sup>11</sup> According to the Global Network Against Food Crises, of the 388 million people in *acute food insecurity* in September 2020, some 227 million were in ‘stressed’

**Box 3: Outlook for acute food insecurity shows an intensive challenge across regions**

Early warnings on acute food insecurity for February to May 2022 from the WFP and FAO highlight four countries – Ethiopia, Nigeria, South Sudan and Yemen – at the highest alert level, with population segments identified or projected to potentially experience starvation and death. Madagascar is also considered a hunger hotspot while Afghanistan, the Central African Republic, the Democratic Republic of the Congo, Haiti, Honduras, the Sudan and the Syrian Arab Republic are countries of particular concern due to high numbers of people in critical food insecurity and drivers that are likely to intensify life-threatening conditions. In addition, the Sahel region is likely to reach the highest number of acutely food-insecure people in the past eight years due to combined impacts of unpredictable rainfall, record high food prices and – for Central Sahel – further security deterioration. Across regions, organized violence or conflict is the primary driver for likely erosion of food security levels while high food prices and low household purchasing power are foremost economic concerns. *Source: WFP and FAO. 2022. Early Warnings on Acute Food Insecurity: February to May 2022 Outlook.*

<sup>10</sup> FAO, The State of Food Security and Nutrition in the World 2021. Note also that some 60 percent of the world’s hungry people live in conflict-affected zones, and conflict is the main driver in eight out of 10 of the worst hunger crises in the world (including Yemen and South Sudan) according to the WFP.

<sup>11</sup> Food and nutrition insecurity was already at a very high level prior to the war linked to high and rising global food prices. The World Bank’s Food Price Index was at a record high in nominal terms, and in real terms it was near the highs reached in 2008 and 2012.

conditions – just short of crisis status – and 161 million were in ‘crisis’ conditions in which household livelihood assets are being depleted and malnutrition and mortality rates are increasing.

**17. The compounding impacts of conflict, COVID-19 and climate change are having catastrophic impacts on children worldwide -- demanding accelerated efforts to rescue and safeguard their future.** Some 57 percent of Ukrainian children have been displaced by the conflict. This mirrors the situation of child refugees at the global level.<sup>12</sup> Recent estimates from the UN Refugee Agency hold that there are nearly 26.4 million refugees globally, around half of whom are under the age of 18. Adding to this, COVID-19 has upended the lives and jeopardized the future of tens of millions of children worldwide. Updated estimates from 2021 reveal that by the end of October 2021, 5.2 million children under age 18 years had lost a mother, father, and/or grandparent caregiver who lived in their household due to COVID-19 – more rapid in scale than parental and caregiver losses from the HIV/AIDS crisis in the 1990s.<sup>13</sup> Further, school closures from the pandemic have strong potential to drive up learning poverty – defined as the share of 10-year-olds who cannot read a basic text – to around 70 percent in low- and middle-income countries, according to preliminary World Bank analysis. Conflict is also depriving the young of hope for a healthy future. Among over 2.4 billion people suffering from hunger globally are millions of children under 5 years of age who were affected by stunting (149.2 million), wasting (45.4 million) or overweight (38.9 million). Child malnutrition is a growing challenge, especially in Africa and Asia. Focus is needed on the most vulnerable - including girls, children with disabilities, and those in poorer families.

## II. THE WBG RESPONSE: A ROADMAP

**18. The WBG is redoubling efforts to help WBG clients address the wide and pernicious impacts of the war in Ukraine and its convergence with impacts of the COVID-19 and climate crises.** This Roadmap outlines an initial short-term WBG response; a medium-term response; and prospects for a longer-term response. In line with WBG comparative advantages – including country depth and global breadth, public and private sector instruments and relationships, multisector knowledge and practitioner expertise, and the ability to mobilize and leverage financing – the response will draw from lessons learned in WBG crisis response to date (see Annex). Emerging lessons from the ongoing COVID-19 crisis response include the importance of adaptation, scale and comprehensive approaches to foster green, resilient and inclusive development (GRID<sup>14</sup>) – backed by reinforced global cooperation. Given the differentiated impacts of commodity price shocks, analytical work will be critical for informing well-targeted interventions – particularly at the country and regional levels – drawing on the WBG’s extensive stock of analysis as well as additional assessments related to crisis impacts. The crisis response is anchored in the Forward Look and WBG corporate policy commitments made under the 2018 Capital Packages of IBRD and IFC, the IDA20 policy package, and the Climate Change Action Plan (CCAP). It will also be grounded in the updated authorizing framework for WBG engagements under the new FCV Policy and the FCV Strategy, integrating lessons from WBG experience in FCV-affected settings worldwide.

### *Initial short-term response: April – June 2022*

**19. In the remaining quarter of FY22 (April – June), the WBG intends to prioritize an initial crisis response with total commitments of around \$50 billion underpinned by rapid analytical work.** This will enable expanded support to Ukraine, to countries hosting refugees from Ukraine, and to people around the world affected by spillover impacts of the war – including the associated food and fuel price hikes and other economic and social impacts. While supporting crisis response, WBG engagement will aim to maintain strong support for addressing the ongoing COVID-19 pandemic, impacts of climate change

<sup>12</sup> <https://www.unhcr.org/en-us/figures-at-a-glance.html>

<sup>13</sup> <https://blogs.worldbank.org/health/how-action-can-help-millions-children-orphaned-covid-19>. See Lancet Child and Adolescent Health Study: [https://www.thelancet.com/journals/lanchi/article/PIIS2352-4642\(22\)00005-0/fulltext](https://www.thelancet.com/journals/lanchi/article/PIIS2352-4642(22)00005-0/fulltext).

<sup>14</sup> *From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)*, World Bank, 2021.

and support for GRID as discussed in the background note prepared for Governors in advance of the 2022 Spring Meetings.<sup>15</sup> Given the rapidly evolving and compounding nature of the war's impacts, timely assessment of impacts will be essential for informing the design of WBG financing operations. Analytical work along with just-in-time policy advice and technical assistance will be integral.

**20. World Bank commitments in FY22 Q4 could reach up to \$36 billion.** This includes the balance of the IDA19 replenishment, or an expected \$16 billion (including recommitted funds from cancelled projects), and the full use of IBRD headroom available under the Financial Sustainability Framework (FSF), i.e., \$19 billion (including the \$9.5 billion of crisis buffer approved by the Board at the beginning of the fiscal year) – amounting to a \$35 billion envelope. To add to this envelope, Management consulted IDA Deputies on April 11 on exceptional support for Ukraine and Moldova; Deputies agreed to: (i) increase IDA19 commitment authority by \$1 billion through utilizing IDA's temporary capital capacity (DSC cushion); (ii) allow Ukraine to access an exceptional \$1 billion non-concessional short-term maturity financing in IBRD terms from IDA19 in FY22; and (iii) increase Moldova's exceptional FY22 CRW allocation by \$100 million on blend terms. As a next step, Management will submit these endorsed proposals for approval by the Board of Executive Directors in the upcoming weeks.

**21. IFC anticipates committing up to an additional \$14 billion, in short- and long-term finance to support clients across EMDEs.** Included in this support would be funding to facilitate food flows into key deficit markets, including the Middle East, North Africa, Sub-Saharan Africa, and other IDA and lower middle-income countries. IFC will continue to emphasize short term-finance support and liquidity needs of existing and new clients facing the new challenges imposed as a result of the war in Ukraine, in addition to those prevailing from the pandemic. Support for Ukraine will build on the recently approved \$50 million in non-guaranteed trade finance, which will support the import of critical goods, such as medicine and other staples. Expansion of the trade facility will be driven by the availability of donor support for first loss, including leveraging the new IFC-MIGA trade platform.

**22. MIGA anticipates providing guarantees of up to \$2.5-3.0 billion in the coming months.** This includes supporting countries being impacted by the ongoing Ukraine conflict both within ECA and more broadly, continuing MIGA's COVID-19 Rapid Response Program, as well as supporting climate finance and other projects as per the GRID approach. Anticipated guarantees include support to the financial sector – through risk mitigation guarantees (capital optimization) for private banks and non-honoring support to SOE banks – agribusiness and services, as well as renewable energy and infrastructure clients.

**23. The initial WBG response to the global impacts of the war in Ukraine will comprise increased financial support and policy advice to (i) Ukraine, (ii) countries hosting refugees from Ukraine, and (iii) developing countries more broadly to address urgent short-term impacts.** A key priority will be to address the food and nutrition crisis resulting from impacts of the war, in large part due to the rising prices and disruption of supply chains for grain and fertilizers. Food prices in real terms are going up rapidly in the context of current and anticipated supply constraints. It is critical to avoid making the situation worse by imposing export restrictions and price controls. Enabling market access and protecting the population against food vulnerabilities through social transfers are central to the WBG response. The WBG will build on recent food security crisis responses that addressed food security needs emanating from the COVID-19 pandemic, adapting them to the current context. Interventions will aim to ensure that the poor have access to food by scaling up social safety nets, providing support to food producers, and improving resilience of smallholder farmers. This will include support to finance grain imports, increase storage capacity, and supporting regional cooperation to address disruptions in the food and fertilizer markets. Beyond emergency interventions, the WBG will support clients to undertake relevant policy actions (Box 4), often in the context of narrow fiscal space and rising debt. This will be supported by the existing stock of analytical work as well as just-in-time analytics, policy advice and technical assistance to inform the identification of impact and country needs, which will become clearer over time. Moreover, leveraging

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<sup>15</sup> WBG COVID-19 Crisis Response Operational Update: *Delivering on the WBG Twin Goals in an Era of Compounding Crises.*



WBG convening capacity, the WBG will facilitate global coordination around crisis response efforts and engage in global advocacy for good policy responses such as avoiding food export bans.

***Box 4: WBG Crisis Response will integrate support for sound policies needed for resilient recovery.***

In coordination with development partners, WBG policy support will be differentiated by country circumstances, including pre-existing conditions, impacts of the crisis and institutional capacities. National policy priorities will include managing the fallout from the war and preparing for the possibility of a fragmentation of global trade, energy, and investment networks. Success will depend on implementing credible and appropriately calibrated fiscal and monetary policy measures that are clearly communicated. Structural measures are needed to mitigate the long-term damage and, if necessary, reduce disruptions caused by an adjustment in international trade and investment networks. WBG policy support could include:

- ***Fiscal policies.*** National authorities can expand and strengthen social safety nets to mitigate the impact of food and energy price increases and to reach IDPs. The authorities can also protect crucial basic services like nutrition, health, and education by introducing policies that support both the supply and demand of such services.
- ***Monetary and financial policies.*** Monetary policy authorities can clearly communicate a data-dependent strategy to preserve the stability of inflation expectations without unduly weighing on the recovery.
- ***Social policies involving refugees and migrant workers.*** In frontline countries experiencing a large influx of refugees from Ukraine, the added burden on fiscal expenditures and domestic services can be partially alleviated by removing legislative barriers to work and facilitating labor market access. An expansion of public services must also support host communities to avoid social tensions and backlash against newcomers.
- ***Structural policies.*** The implications of the war also require structural policy responses in a wide range of areas, including energy security, food security and productivity, trade and logistics, and long-term growth prospects.

**24. Ukraine is facing significant financing gaps given the scale and the extent of physical damage and economic and social impacts of war.** Substantial resources transfers will be needed to finance the sizable unfilled financing gaps (non-military financing needs minus already identified financing is \$10.1 billion). The WBG has already committed \$680 million in fast-disbursing support, which has also mobilized \$265 million to date in financing from bilateral partners through the Ukraine Multi-Donor Trust Fund (MDTF), a significant source and vehicle for the crisis response.<sup>16</sup> We will likely commit a further \$1.5 billion in additional financing in Ukraine over the remainder of Q4 FY22, for a total of about \$3 billion including \$1 billion from IDA as described above and expected additional mobilization from bilateral partners. These financing needs and the focus of support will be elaborated further in the ECA Approach Paper on Ukraine’s Immediate and Medium-Term Economic Needs and Call for Action.

**25. Other countries in Europe will also need support as they host refugees from Ukraine.** Estimates indicate that as of March 31, 2021, roughly 4 million people or 10 percent of Ukraine’s population had crossed the border into European countries including Poland, Romania, Moldova, Hungary and the Slovak Republic among others. An initial package of up to \$2 billion is being developed. Development Policy Financing operations are under preparation for Romania and Moldova, and wider options are also under consideration. Efforts are underway to support Moldova and other countries’ access to the Global Concessional Financing Facility (GCF). The Bank Group will draw on its experience in past and ongoing support to refugees and host communities, including lessons learned through IDA’s Refugee Window, adapted to the challenges facing countries receiving Ukrainian refugees.

**26. Increased availability of WBG financing for developing countries across the client base – LICs, MICs, FCS countries and small states – will aim to boost client capacity for robust responses**

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<sup>16</sup> This includes: \$489 million DPL, including guarantees; \$91 million for vaccine Additional Financing; and \$100 million for higher education. Financing from bilaterals includes \$165 million under the MDTF and \$100 million in parallel financing.

**to the compounding impacts of the war.** In line with client demand and priorities, the Bank Group will support adaptive client engagement, including to reprioritize its lending pipeline over the rest of FY22 where needed to provide support for addressing the immediate impacts of the war. This will be based on client dialogue and emerging demands. Management is actively engaging with clients to firm up the nature and range of support needed, noting the highly fluid nature of the crisis, and the differentiated unfolding needs across countries and regions. In the context of mounting debt-related risks, the Sustainable Development Finance Policy (SDFP) introduced under IDA19 continues to help the poorest countries to mitigate debt vulnerabilities and boost debt transparency in support of GRID. As debt distress has intensified, IDA has been at the forefront of supporting the most vulnerable countries.<sup>17</sup>

27. **The Bank Group will draw on its full range of financing instruments to prepare and disburse financing quickly, including investment project financing for specific response needs and budget support to address tightening fiscal conditions.** Supplemental Development Policy Financing, and Additional Financing to Investment Project Financing, will be used when appropriate. Contingent Emergency Response Components (CERCs) embedded in projects already under implementation will be triggered and slow-disbursing projects could be restructured where feasible. Equally, WBG analytical work will underpin client support for crisis response – including to inform and foster selectivity and to enable comprehensive support to boost preparedness, resilience and inclusion in line with GRID.<sup>18</sup>

28. **The Bank Group will use all available processing flexibilities to facilitate a rapid response.** We will use existing options established in the operational policy framework, for example the Multiphase Programmatic Approach (MPA) and emergency processing. As was evident during the COVID-19 crisis, an MPA could be a useful option to address the immediate food crisis, as it could provide a simple framework for processing operations while delegating approval authority to Management. Similarly, the use of targeted platforms in support of private sector clients, leveraging the experiences of the pandemic, and in line with the agreed approach with the Board, will allow for targeted and scalable support across impacted countries and regions. But several other modalities could be considered, depending on the nature of support. We will also maintain close quality oversight and reflect lessons learned from previous crisis response, such as a simple operational design and the need to use financing programs that can be quickly scaled up and disbursed (see Annex) to ensure an effective response.

29. **IFC and MIGA are undertaking a proactive short-term response to support clients in weathering the impacts of the war and compounding crises.** IFC's crisis response strategy will focus on four areas: (i) support to Ukraine's private sector, including to increase investments in agribusiness and food security; (ii) mitigation of adverse impacts on neighboring countries, and on countries where the private sector is affected by Russian sanctions through trade and investment links; (iii) opportunities arising from shifts in trade and critical needs for trade and supply chain finance; and (iv) support to scale up finance for energy transition while addressing rising energy security concerns, with a longer-term horizon. MIGA will deploy a two-pronged approach: (i) direct support to Ukraine through donor funds and (ii) support to neighboring countries and the wider developing world through scaling up its Political Risk Insurance (PRI) and Non-honoring of sovereign, sub-sovereign and state-owned enterprises (SOE) guarantees (NH) with coverage tailored to the needs of each country as determined by the impacts of the conflict and aligned with countries' debt sustainability requirements. MIGA's backing to Ukraine in the short-term could include supporting trade finance and facilitating funding to the financial sector for agribusiness and to protect small- and medium-sized enterprises. IFC's and MIGA's crisis response will also be designed to help strengthen investor confidence and leverage private capital while bringing the private sector's expertise, innovation power and agility together to support impactful solutions.

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<sup>17</sup> For example, of total IDA commitments of \$72 billion in CY20-21, \$23 billion were in grants to poor countries at moderate or high risk of debt distress, \$28.5 billion went to FCSs and \$1.9 billion to Small States. The SDFP promotes critical reforms in the areas of debt management, fiscal sustainability and debt transparency challenges.

<sup>18</sup> *Prevention, Preparedness and Response: The World Bank Group Role in Future Crises.* World Bank Group, 2021.



## *Medium-term response: 15-month period (April 2022 to June 2023)*

30. **While supporting the short-term needs arising from the war in Ukraine, the WBG intends to ensure a sustained focus on the medium-term development priorities that are integral to achieving the WBG twin goals.** Our medium-term response comprising surge financing to facilitate strong client engagement and meet heightened client demand across the WBG client base will be set out in a Global Crisis Response Framework Paper, to be presented to our Board before the end of June. This will include a medium-term program to support developing countries as they confront the severe human and development setbacks caused by the food and fuel shocks, and by the broader economic impacts of the war. WBG client engagement will aim to ensure robust support for addressing crisis-related needs while maintaining a focus on long-term development goals such as the transition to cleaner energy sources and boosting preparedness and resilience in line with GRID. This paper will be coordinated closely with the planned ECA Approach Paper on Ukraine’s Immediate and Medium-Term Economic Needs and Call for Action.

31. **The forthcoming Global Crisis Response Framework Paper will outline the WBG’s response to the crisis to support medium-to long-term development needs.** It will highlight the transmission mechanisms from the crisis, impact on the poor, differences in impact across countries and regions, and the consequent priorities that these impacts raise for our support to clients. Building on the initial response, and factoring in developments in the unfolding crisis, the paper will lay out in more detail the WBG’s plans to respond, with details on how we expect to finance our response. We expect that the response framework will focus on the emergency created by shortages and price spikes for food and energy; on addressing the continuing pandemic; and on support to vulnerable households and businesses – while continuing to support longer-term recovery and resilience. The paper will establish a consistent framework to facilitate the WBG’s operational response and will also act as a convening tool to attract co-financing and coordinate a global policy response. The framework will build on several strands of the Bank Group’s existing program and expertise, including the Early Response Financing introduced in IDA19 and the IDA20 focus on food security; a large and growing portfolio of social protection projects as well as the West Africa Multi-Phase Approach on food security; and a continued focus on climate change in the context of pressure on energy prices. It will include analytical work and technical assistance to help support policy advice and build capacity.

32. **IFC’s medium-term crisis response will include a “rebuild and reshape program.”** This will focus on rebuilding and fostering adaptation to the profound expected paradigm changes. The program will include: (i) supporting shifts in trade routes, with accompanying logistics and infrastructure needs; (ii) helping countries to adjust to supply chain shocks; (iii) long-term efforts to build energy security cleanly; and (iv), in Ukraine specifically, rehabilitation of assets damaged during the war, in areas such as housing, manufacturing and agribusiness. Overall, this longer-term engagement supports GRID and will be strongly aligned with IFC 3.0, with efforts to create or recreate markets and with use of upstream initiatives and advisory services. Throughout this approach, IFC will leverage existing innovative and blended finance support where appropriate and will continue to build new approaches and solutions to address the challenges resulting from the war in Ukraine. Deploying concessional blended finance and raising blended finance funds will be critical. Working in close partnership across the WBG, with donors and other partners, will be essential to strengthen and complement IFC’s Crisis Response and longer-term support in Ukraine and neighboring countries affected by the war.

33. **Over the medium term, MIGA, working in cooperation with the WBG and with public and private sector partners, will provide support to neighboring countries impacted by the inflow of refugees and the broader group of EMDEs affected by the fuel and food shocks.** Three broad impacts will be targeted: assistance for refugees; addressing price increases and the availability of commodities including foodstuffs; and enhancing access to financing in the global financial markets. Specific tools will include (i) risk mitigation guarantees (capital optimization) for banks; (ii) political risk insurance cover for existing and new investments affected by increased geopolitical risks; (iii) credit enhancement coverage to

eligible countries including for support to refugees, essential infrastructure and accelerated energy transition; and (iv) trade finance support, as necessary.

### *Financing the medium-term WBG response*

34. **Extraordinary efforts are needed to sustain and evolve the unprecedented WBG crisis response mounted over the past two years, given the scale and severity of compounding crises facing WBG clients across income levels.** The WBG has delivered the largest, fastest crisis response in its history, with \$157 billion provided to clients across the income spectrum in a 15-month period from April 2020 to June 2021. On a calendar year basis, the WBG delivered \$204 billion in financing to public and private sector clients in the first two years of the crisis (2020-21), of which \$135 billion was IBRD/IDA, \$60 billion from IFC and \$9 billion in guarantees from MIGA. World Bank commitments over this period represented a surge of nearly \$50 billion compared to the two years before the crisis, enabling a 53 percent increase in education financing, 86 percent increase in health, and 135 percent increase in social protection – reaching one billion people. To scale-up climate action, the WBG funded \$26 billion in climate investments in 2021.

35. **This historic WBG crisis response has only been possible through the deployment of exceptional measures, implemented with the support of our Board and shareholders.** These included the truncation of IDA19 to two years – a first in IDA’s history – and use of the crisis buffer within IBRD’s Financial Sustainability Framework, as well as its expansion from \$10 billion to \$15 billion.

36. **Over the coming weeks, Management will explore with its Board of Executive Directors options to put in place a 15-month WBG crisis response envelope of around \$170 billion for the period from April 2022 to June 2023.** This would build on an initial FY22 Q4 financing of up to \$53 billion as well as initial FY23 financing of \$60 billion from IDA and IBRD,<sup>19</sup> \$32 billion from IFC, and \$5 billion from MIGA. This base financing envelope totals around \$150 billion over the 15-month period.

37. **To achieve an envelope of around \$170 billion, Management will explore with its Board of Executive Directors avenues to deepen the WBG response by up to an additional \$20 billion on top of already available envelopes.** This would bring total WBG financing from \$150 billion up to \$170 billion. After two years of leaning forward to deliver scaled-up crisis finance, the WBG’s capacity to sustain crisis financing of similar proportions is much more constrained in 2022 than in 2020, particularly given the use of the IBRD crisis buffer over FY21-22 and the exceptional truncation of IDA19.

38. **Adaptive deployment of a combination of measures will be critical for enabling the WBG to sustain its crisis response at the levels proposed above to meet exceptional client needs.**

For the World Bank, the menu of potential measures includes the following options:

- Bilateral donor guarantees can play a critical role in enabling surge financing, particularly for countries where IBRD’s exposure is highly concentrated or highly risky.
- Aggressive portfolio management will make use of approved projects’ undisbursed balances to finance the emergency response through restructurings, cancellations and recommitments. Care will be taken not to disrupt ongoing, well-performing, priority projects.
- Frontloading of IDA20 resources could be considered as allowed within IDA’s existing policy framework and consistent with past practice for facilitating IDA’s response to large shocks. This would impact and likely constrain IDA’s financing capacity for the remaining years of IDA20.
- IBRD could approve and tap into a new crisis buffer beyond the \$15 billion already approved, subject to a board discussion in June. Since the 2018 capital package sized IBRD’s financial capacity to enable IBRD to respond to one significant crisis every 10 years, this would prompt trade-off decisions and would translate into lower medium-term IBRD capacity.

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<sup>19</sup> This would consist of one third of the IDA20 replenishment (\$31 billion) and the IBRD ceiling determined by its Financial Sustainability Framework (\$29 billion, assuming all the crisis buffer is used in FY22).

- Development partners could make additional funding available through trust funds. As mentioned above, a Multi-Donor Trust Fund (MTDF) has been set up for Ukraine. A regional platform consisting of a series of MDTFs is also being set up focusing on supporting refugees and host communities; the platform will allow for channeling funds to co-finance operations or support knowledge services in a fully integrated support program.
- In FY23, IFC could accelerate its programs using short-term and longer-term instruments. The medium-term response would include maintaining trade flows of vital supplies via the GTFP program; providing working capital and longer-term financing to resume agriculture production in areas affected by the conflict and to help diversify production; ensuring continued access to finance for micro, small and medium enterprises (MSMEs); and supporting clean energy and transport infrastructure in affected countries. For IFC, given the advent of a second global shock so soon after the pandemic, private sector clients will be increasingly wary of initiating significant capex investments, in particular in the infrastructure sectors. As a result, while IFC will focus on responding to client needs in an agile manner, supporting clients in short term, liquidity, restructuring and longer-term financing needs – as well as through our Upstream approach – IFC anticipates volatility in both the nature and size of demand.
- For MIGA, FY23 support could increase, for example, in a scenario where several of the host countries are severely impacted due to the compound impacts of multiple crises – continuation of the COVID health crisis as well as economic impacts from the war in Ukraine. This support could involve: (i) further non-honoring guarantees for creditworthy sovereign, sub-sovereign and SOE borrowers, where MIGA’s financial additionality could be important due to turbulence in the global financial markets; and (ii) augmented political risk insurance support to enable FDI into developing countries, as investors perceive higher non-commercial risks due to the multiple crises.

### *Considerations for a sustained longer-term response*

39. **Compounding crises are creating a much more adverse, complex and challenging context for realizing the WBG twin goals, demanding sustained high-level client support.** In this context, WBG finances would be strained by this 15-month response, since the 2018 capital package was sized to contend with one crisis every decade – not to respond to two large scale simultaneous crises plus an accelerating climate crisis. Increased financing for this crisis would affect the WBG’s ability to respond effectively to any new crisis, or to help clients recover lost ground in their efforts to achieve their long-term development objectives including on the climate agenda.

40. **The capacities discussed above covering the 15-month period up to FY23 are based on (i) the agreed IDA20 financial framework and (ii) compliance with IBRD’s Financial Sustainability Framework.** Specifically:

- Related to IDA, by frontloading IDA20 resources to FY23, IDA’s financing would be constrained in the remaining IDA20 years of FY24 and FY25.
- Related to IBRD, beyond FY23, IBRD’s financial capacity will continue to be driven by its Financial Sustainability Framework. Adding additional crisis response buffer to sustain high FY23 would require adjustment downward of lending in subsequent years.
- These World Bank lending capacity estimates are based on the current market conditions and projections assumptions. Given the continued uncertainty around the overhang from COVID-19 and the evolving macroeconomic impacts of the war in Ukraine, including on the credit quality of the Bank’s IBRD and IDA exposure, the estimates are subject to downside risks.

### III. PARTNERSHIPS

41. **WBG experience in crisis response demonstrates the vital role of diverse partnerships and the value of WBG convening power for fostering dialogue and collaboration.** Both remain integral to the WBG crisis response, including to impacts of the war in Ukraine. For example, the World Bank President engaged with the Heads of Multilateral Development Banks working in Ukraine to form a high-level task force and ensure coordination. An operational group comprising the European Commission (EC) and IFIs working on Ukraine meets regularly. In parallel, a similar effort is being undertaken to support countries hosting refugees from the war. In coordination with the IMF, the WBG is actively engaging with clients to address mounting debt, as discussed in the 2022 Development Committee joint paper.<sup>20</sup> The WBG collaborates at international and national levels with key UN and humanitarian agencies that provide immediate response and complements their activities to help deliver development impact in different host communities. Building on ongoing work, specific collaboration will be stepped up, for example with UNHCR and the IOM in support of refugees and host communities; with health and development partners to provide access to health services (WHO, UNICEF, UNDP); with WTO to contribute to maintaining open trade; and with other agencies including WFP or FAO to address food security and other risks. Similarly with the EU, there is need to coordinate closely on different levels of response – including around direct support to Ukraine as well as neighboring countries (and beyond) for which the EU is deploying financial and technical support through its various instruments.

42. **As the WBG formulates new lending operations and prepares targeted technical assistance interventions, this will be done in continued close partnership and coordination with the international community.** Key operational partners include the European Union and EC along with EU institutions and Member States, other international financial institutions (IMF and MDBs), and development partners (UN agencies and bilateral development partners). The WBG is also a member of the UN’s newly launched Steering Committee for Global Crisis Response Group (GCRG) on Food, Energy and Finance. The Steering Committee, which comprises international organizations, was established by the UN Secretary-General to respond to the war in Ukraine and to mitigate its global spillover effects. The World Bank is actively taking part in the committee’s three interconnected workstreams on Finance, Energy and Food. In addition, the WBG is contributing to global efforts through G7, G20 and other international platforms, including providing analysis of impact of the war in the global economy and in developing countries. Upcoming Spring Meetings briefings for stakeholders will include the latest information on the Bank Group interventions – which actions, from financing to situation analysis, will also be highlighted across the public-facing events of the Meetings. Cooperation with humanitarian actors is ongoing.

### IV. CONCLUSIONS AND NEXT STEPS

43. **As the war in Ukraine causes destruction in Ukraine and across the world, the World Bank Group is stepping up exceptional support to address the cascading impact of the crisis – in Ukraine itself, among neighboring countries, and on the poor and vulnerable worldwide.** The WBG is already redoubling its efforts to help client countries in the relief and restructuring stages, and to regain momentum on the longer-term development agenda.

44. **WBG Management will consult with the Board of Executive Directors** on implications of front-loading WBG financing over the next 15 months to meet heightened client demands and needs, particularly in relation to the implied tradeoffs and longer-term financial implications. These discussions, as well as further analysis and dialogue with clients and other stakeholders, will inform the preparation of the Global Crisis Response Framework Paper to be presented to the Board of Executive Directors.

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<sup>20</sup> *Making Debt Work for Development and Macroeconomic Stability*. Development Committee Paper, 2022.

## ANNEX: Highlights on Lessons Learned from WBG Crisis Response

Drawing from several IEG evaluations, this Annex summarizes key lessons and insights, both from evaluations of previous crisis response as well as from other interventions, notably in FCV settings and from the WBG's previous engagement in Ukraine.

**Food Price Crisis (FPC) of 2008.** The World Bank set up a rapid financing facility, the Global Food Price Crisis Program (GFRP),<sup>21</sup> a central part of the Bank's support to countries affected by the FPC. The GFRP was operational between 2008-2012. It was instrumental in providing rapid assistance to the poor and vulnerable, while increasing the Bank's leadership role in the food security arena. A GFRP Evaluation prepared by the GFRP Secretariat highlighted several factors that contributed to GFRP's success. These included: (i) a simple design for emergency operations; (ii) financing programs that could be quickly scaled up; (iii) a high level of commitment by the government; (iv) close coordination and partnerships with entities such as the UN, and (v) an effective Monitoring and Evaluation (M&E) framework.

A 2013 IEG Review of the FPC<sup>22</sup> also reviewed the Bank's response to this crisis and examined whether it was effective in addressing short term impacts and enhancing countries' resilience to future shocks. It found that about half of the GFRP's Bank-sourced resources went to 4 large countries – Bangladesh, Ethiopia, the Philippines and Tanzania – funded through their IDA and IBRD country envelopes. While 31 countries received small amounts of assistance, in part because of limited availability of GFRP funds. The review offered the following lessons for future global food price crises: (i) While a detailed strategic framework is necessary to underpin the Bank's response, it is often not sufficient, especially if there is a disconnect between the intent of policy prescriptions in the framework and what is actually implemented in short term, fast track operations; (ii) enhanced administrative resources and internal collaboration are essential for the planned expanded scale of operations; (iii) the effectiveness of increased lending depends critically on adequate analytical work and staffing; and (iv) a cautious approach is warranted in considering tax and tariff reductions in a crisis response, to balance price effects with implications for fiscal stress. The Evaluation included useful recommendations for future food crises, including the need to ensure adequate administrative budgets; quality assurance procedures, better targeting of the vulnerable population, and practical mechanisms to monitor nutrition and welfare outcomes.

IEG also prepared a two-part analysis of the Bank Group's response to the **Global Economic (and Financial) Crisis**.<sup>23</sup> The evaluation acknowledged the multidimensional nature of the crisis and evaluated the broader WBG response. It recognized the WBG's large countercyclical response to the crisis, especially in terms of IBRD lending and the increased use of DPF-DDOs. Key lessons highlighted by IEG included the need to (i) prepare a roadmap for crisis engagement focusing on partnerships and instruments; (ii) review the Bank's financial products to seek ways to deliver crisis support more effectively; (iii) maintain crisis readiness by having an adequate knowledge base; and (iv) have a good handle on social protection programs and country systems to ensure that countries have adequate data and programs to cope with crises.

Other evaluations provide useful lessons that will be considered as the Bank Group frames its response to the current crisis emanating from the war in Ukraine. IEG's 2017 ***synthesis report<sup>24</sup> on building crisis response and resilience*** found that the WBG has been proactive in helping countries develop resilience to potential shocks. Going forward, it would be important to strengthen internal coordination of crisis response

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<sup>21</sup> Global food crisis response program: progress and lessons learned (English). Washington, D.C.:WBG. <http://documents.worldbank.org/curated/en/960011468337870506/Global-food-crisis-response-program-progress-and-lessons-learned>

<sup>22</sup> IEG. 2013. The World Bank Group and the Global Food Crisis: An Evaluation of the World Bank Group Response. Washington, DC: WBG. <https://openknowledge.worldbank.org/handle/10986/16505> License: CC BY 3.0 IGO.

<sup>23</sup> IEG. 2011. The World Bank Group's Response to the Global Economic Crisis: Phase 1. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/2277> License: CC BY 3.0 IGO & IEG. 2012. The World Bank Group's Response to the Global Economic Crisis: Phase 2. Washington, DC: WBG. <https://openknowledge.worldbank.org/handle/10986/21340> License: CC BY 3.0 IGO

<sup>24</sup> IEG. 2017. Crisis Response and Resilience to Systemic Shocks: Lessons from IEG Evaluations. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/26360> License: CC BY 3.0 IGO



and assess the extent to which social protection mechanisms can be scaled up and targeted to the poor and vulnerable in response to systemic shocks. A 2021 IEG Report emphasized the increased importance of public financial and debt management in the context of a crisis given the need to make efficient use of increasingly scarce resources.<sup>25</sup> A 2021 IEG synthesis report on the *WBG's contribution to addressing country-level fiscal and financial sector vulnerabilities*<sup>26</sup> also focused on the need to build adaptable social protection systems that can support household resilience through flexible and scalable program designs and dynamic delivery systems. The report highlighted the need for the Bank Group to remain engaged in core diagnostics, and systematic monitoring of fiscal and financial vulnerabilities even when clients are not ready to confront them, and to use these diagnostics to inform policy dialogue with clients. It suggested that Bank Group staff undertake more proactive outreach and dialogue with a range of country stakeholders to foster a better understanding of vulnerabilities and their costs and build support for critical reforms.

Multiple evaluations of WBG engagements in FCV settings as well as IEG's draft Ukraine Country Program Evaluation (shared with Management in early February 2022) offer four key lessons:

1. Focus on institutional reforms that provide the foundation for greater competition. The Bank can build on success in efforts such as in the financial sector, where second-best interventions fully aware of the difficult political economy of the sector succeeded in helping overcome prevailing vested interests.
2. Justice and energy sectors respectively emerge as priority areas – the first because of its foundational nature, the second because of its importance for the economy and popular support for reform efforts. The Bank was not engaged much in supporting justice reform, leaving this area to others. Limited success in reforming justice had negative knock-on effects on the effectiveness of anticorruption reforms as well as reforms in the energy and banking sectors.
3. Support to the education sector can be important in dealing with issues of fragility, particularly as they pertain to psycho-social issues among children and providing safe spaces for integration and community cohesion to develop.
4. In Ukraine, experience points to the value of providing compensatory mechanisms for the population, so that support for reforms does not wane – as in the case of the energy sector. This will benefit from engaging Ukraine's vibrant civil society organizations. The country still has one of the most energy-intensive economies in the world, in need of major investments to improve efficiency and service levels. Bank-supported reforms improved the fiscal situation through tariff reforms resulting in a significant reduction in gas demand and helping to reduce the dependence on a single supply source. However, the reforms were not sufficient to attract private investment for modernization or lead to improvements in service felt by the population. The lack of popular support for reforms was, prior to the latest conflict, one key vulnerability.

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<sup>25</sup> IEG 2021. World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries. World Bank, Washington DC. <https://ieg.worldbankgroup.org/evaluations/public-financial-and-debt-management>

<sup>26</sup> IEG. 2021. Addressing Country-Level Fiscal and Financial Sector Vulnerabilities: An Evaluation of the World Bank Group's Contributions. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/36008> License: CC BY 3.0 IGO