THE WORLD BANK
IMPACT REPORT 2020

Foreword

FOREWORD

A Message from Jingdong Hua

Vice President & Treasurer, World Bank

The challenges of this past year have been unprecedented. The impacts of the coronavirus pandemic have fallen disproportionately on the most vulnerable with the fewest safety nets. The virus has brought illness and death on a catastrophic scale and has devastated the global economy, pushing an estimated 150 million additional people into extreme poverty and reversing decades of development gains.

As countries work to contain the impacts, the World Bank has mounted the fastest and largest crisis response in its history to help borrowing member countries strengthen their pandemic response, healthcare systems, and economies while remaining focused on resilience and climate action. In response, the World Bank issued a record US$75 billion equivalent in 27 different currencies through 349 transactions in FY20 to support the financing of sustainable development projects and programs. Together with bonds issued this fiscal year, funds raised in capital markets have been helping countries to support the financing of a range of activities that include providing personal protective equipment (PPE), adding hospital beds,

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training medical staff, investing in remote learning, providing safety nets, and financing the purchase and distribution of COVID-19 vaccines. In the spring and summer of 2020, the World Bank issued several benchmarks to raise awareness for these efforts. This included an US$8 billion 5-year IBRD Sustainable Development Bond which set the record as the largest bond issued by a sovereign, supranational or agency (SSA) issuer.

Investors are increasingly focused on managing environmental, social, and governance (ESG) risks through their investments and seeking ways to have positive impact. World Bank bonds offer investors an opportunity to help member countries recover from the pandemic and make progress toward the SDGs. The health and economic crisis brought on by the coronavirus pandemic in 2020 also elevated our collective focus on the "social" in ESG. Building human capital and tackling inequality are at the center of the World Bank's work with member countries. At the same time, we know that the devastating effects of climate change can severely limit countries' economic recovery from the pandemic and that we have a unique opportunity to refocus global efforts on rebuilding better. This has never been more important than this year as we work with countries to implement policies and reforms that expand economic participation, that leverage technology for more robust and inclusive delivery of key services—including health, education, and social protection—and that make it easier for the public and private sectors to work together toward a green, resilient, and inclusive recovery.

The World Bank issues green bonds to respond to specific investor interest in efforts dedicated to climate and as an opportunity to focus attention on the World Bank's commitment to climate action and related projects that are supporting developing countries to advance their climate commitments and create more jobs in emerging and greener sectors. Since the World Bank issued the world's first green bond in 2008 and created the blueprint for this US$1 trillion+ labeled bond market, the World Bank has issued approximately US$16 billion equivalent in 185 green bonds and 23 currencies. In FY20, this included the first World Bank green bond in Danish kroner.

The World Bank's commitment to climate action extends to Sustainable Development Bonds which support the financing of a mix of projects that address both climate action and other social challenges and respond to investors' interest in supporting a broader range of activities. Our engagement with investors helps raise awareness for SDGs and development challenges, using World Bank-financed projects as examples. Dedicated themes have included food loss and waste; gender equality; health and nutrition of women and children; education; water and oceans; and sustainable cities.

Finally, I'm proud to acknowledge that in late 2020, we hit a historic milestone for IBRD bonds, with total issuance surpassing one trillion dollars since our first bond in 1947. I marvel at the simplicity and efficiency of the World Bank's business model of using billions, currently based on US$17 billion in paid-in capital, to catalyze trillions and connect savings to development. This funding gets channeled to IBRD operations, which span almost 60 countries, and are focused on reaching the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity that are aligned to the SDGs.

COVID-19 CRISIS RESPONSE

RELIEF STAGE

- PUBLIC HEALTH EMERGENCY
- SOCIAL EMERGENCY
- ECONOMIC EMERGENCY
- MAINTAIN LINE OF SIGHT TO LONG-TERM GOALS

RESTRUCTURING STAGE

- RESTRUCTURING HEALTH SYSTEMS
- RESTORING HUMAN CAPITAL
- FIRM RESTRUCTURING & DEBT RESOLUTION
- POLICY AND INSTITUTIONAL REFORMS

RESILIENT RECOVERY STAGE

- PANDEMIC-READY HEALTH SYSTEMS
- BUILDING EQUITY AND INCLUSION
- GREEN BUSINESS GROWTH & JOB CREATION
- INVESTMENTS TO REBUILD BETTER

COVID-19 CRISIS RESPONSE

Building a Green, Resilient and Inclusive Recovery

The World Bank Group is taking fast, comprehensive action to save lives, protect the poor and vulnerable, achieve sustainable growth, and rebuild in better ways. Between April 2020 and March 2021, IBRD committed US$34 billion in nearly 50 countries across more than 100 projects.

$34 Billion US$ Committed*

100+ Ongoing Projects*

~50 Participating Countries*

*IBRD figures as of March 31, 2021

The World Bank's COVID-19 Response is targeted in four key areas:

1. First, we are focused on saving lives by helping countries implement emergency health operations by strengthening health facilities, ensuring that enough frontline health workers are in place and well-trained, helping necessary medical supplies get through and supporting public health information campaigns.
2. Second, we are helping countries protect the poorest and most vulnerable by expanding social protection through new programs and scaling up of existing programs.
3. Third, we are working to save jobs and businesses by supporting the private sector to preserve jobs and combat disruptions of supply chains which are critical for the immediate health crisis and preventing hunger and preserving livelihoods.
4. Fourth, as we see that over 150 million people could be pushed into extreme poverty, we are looking at how we can support policy reforms to facilitate a green, resilient and inclusive recovery.

For more information, read: Saving Lives, Scaling-up Impact, and Getting Back on Track.

IN CONVERSATION WITH

Muhammad Ali Pate

Global Director, Health, Nutrition and Population; Director, Global Financing Facility for Women, Children and Adolescents

It has been just over a year since the outset of the global pandemic and the World Bank's announcement of a financial package to support member countries in their response to COVID-19. What we have learned this past year?

We have learned so much, yet I would point out that even before the unprecedented crisis, the consequences of weak health systems were visible in countries' health results. Even high-income countries were struggling with the impact of the pandemic on their health systems, highlighting the importance of resilient, high-quality primary healthcare everywhere. Many countries continue to struggle to purchase vaccines. In addition, ensuring that they are deployed and reach those who need them the most is much more complicated.

Across the globe, vaccine deployment has highlighted the urgent need to strengthen health systems that showed a lack of sufficiently trained health workers, limited storage and transport capacity of vaccines, especially in remote areas, lack of data systems to track vaccinations and inadequate number of health centers equipped for vaccinations. The pandemic has shown us that our focus going forth must be helping countries strengthen their systems, starting with primary health care, to ensure better preparedness for future disease outbreaks. We have to remember that investments in human capital will be key to help ensure a more resilient and inclusive recovery.

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You just mentioned the challenges with vaccine roll-out to developing countries, what is the World Bank doing to help?

Our current effort is focused on vaccine access and deployment.

Supporting Vaccine Readiness

Photo credit: ©Dominic Chavez / World Bank

At the end of 2020, the World Bank board committed to US$12 billion globally to support countries to purchase and deploy COVID vaccines and to strengthen health systems to ensure that jabs get into people's arms. We are concerned about equitable distribution of vaccines globally and we expect that a large share of the US$12 billion facility will be invested in Africa. We are rolling out vaccine projects with some $4 billion expected to be approved reaching about 50 countries. We are working closely with governments and help them get ready for vaccine distribution.

Can you give a concrete example of how the Bank's support for vaccine finance works?

In March 2021, we approved US$100 million to support Tunisia to enable affordable and equitable access to COVID-19 vaccines. The funds will go to support the government's strategy to vaccinate 50 percent of the population by the end of 2021. The funds will pay for the purchase and deployment of several million doses of safe and effective COVID-19 vaccines—through COVAX or directly from manufacturers—as long as they meet World Bank vaccine approval criteria. World Bank funds will support the largest portion of Tunisia's vaccine supply. In addition, the funds are going to strengthen key aspects of Tunisia's vaccine deployment system, including safety surveillance; service delivery; upgrading the entirety of the national cold chain including the purchase of freezers and refrigerators; and developing communications campaigns to increase the uptake of vaccines. Finally, the funding will help the Tunisian government monitor and evaluate the deployment of vaccines.

Developing countries are going to be facing challenges for years to come as a result of the COVID-19 pandemic, what inspires hope?

This is undoubtedly the case, however we expect some long-term positive effects of the investments that the World Bank and our member countries are making to respond to the immediate health emergency that has the potential to pay dividends for years to come by creating more resilient and sustainable health systems. Take for example, the cold chain that is so important for some of the COVID-19 vaccines, investments in refrigeration at the point of health centers, can have long term benefits to the community to support the delivery of other vaccines and medicines. Or, take the example of public outreach campaigns on public health surrounding COVID-19. These campaigns, when put in place as part of a holistic response, can help increase public engagement on public health at large, and in the case of vaccines can raise vaccination rates for other diseases. Finally, investments in training of health workers, and equipment will have long-term effects that can strengthen health systems and support building human capital for years to come.

IN CONVERSATION WITH

Bernice Van Bronkhorst

Global Director, Climate Change

In December 2020, the World Bank Group announced a new, ambitious target that 35 percent of financing, on average, will have climate co-benefits over the next five years. Can you start by explaining what we mean by climate co-benefits and what gets counted?

Climate co-benefits refer to the share of financing dedicated to climate change adaptation or mitigation in operations financed by the World Bank. Simply put, co-benefits are World Bank financing that support climate action while also furthering other development objectives. It is more commonly known as climate finance, but we refer to this finance from our own accounts as "climate co-benefits" to distinguish it from dedicated climate finance coming from funds like the Climate Investment Funds, the Green Climate Fund, and the Adaptation Fund. The share of our finance with climate co-benefits rose from 18 percent in 2015 to 29 percent in 2020 for the World Bank Group.

This 35 percent target is part of the World Bank Group's Second Climate Change Action Plan, which will cover 2021-2025. What lessons did we learn during implementation of the first Climate Change Action Plan (2015-2020) that influenced the new plan?

> **"All new World Bank-financed projects are screened for climate risk. Climate change considerations are taken into account at every stage of project design and have been integrated into 100% of the World Bank's multi-year development strategies with developing country partners.**

There were a number of lessons and positive results from the first Action Plan, including the scale at which the World Bank Group has provided climate finance: $83 billion over the past five years supporting developing countries to act on climate. What we're also very proud of is that by undertaking a range of different measures, we've actually been able to mainstream climate considerations across the World Bank Group. All new World Bank-financed projects are screened for climate risk. Climate change considerations are taken into account at every stage of project design and have been integrated into 100 percent of the World Bank's multi-year development strategies with developing country partners. By 2020, over 60 percent of World

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Financing a Green Recovery

Bank Group projects included climate considerations, and over 80 percent for IBRD, up from 26 percent in 2015 for World Bank Group as a whole. It's now across the majority of our transactions and investments, including in sectors like health and governance.

So much is still needed to get countries back on their feet and the focus remains on the health response to the pandemic and strengthening health systems. Yet, we hear a lot about a "green" recovery. What does that mean for the World Bank and its member countries?

First, it is important to recognize that like the COVID-19 pandemic, climate-related shocks disproportionately affect the poorest and most vulnerable. What we do today will determine how well prepared we are to handle future risks and shocks. As governments take urgent action and lay the foundations for their financial, economic, and social recovery, they have a unique opportunity to create economies that are more sustainable, inclusive and resilient. For example, short and long-term recovery efforts should prioritize investments that boost jobs and economic activity; have positive impacts on human, social and natural capital; protect biodiversity and ecosystems services; boost resilience; and advance the decarbonization of economies.

Looking forward, what will the World Bank's focus in terms of climate action?

We're intending to raise the bar on more fully integrating climate and development through our new Action Plan, key elements of which we presented to our board in April 2021. We are:

- Aligning our financing with the goals of the Paris Agreement – the World Bank will align all new operations by July 1, 2023. We are the first international financial institution working primarily in developing countries to make this type of announcement.
- Introducing new metrics with a greater focus on reducing greenhouse gas emissions, and adaptation and resilience goals, which put emphasis on making vulnerable communities stronger and better able to cope with climate shocks.
- Improving and expanding climate diagnostics with a strong analytical base at the global and country levels to support preparation and implementation of our client countries' Paris commitments.
- Supporting transformative investments in systems that contribute the most to emissions and have the greatest climate vulnerabilities, like energy, food systems, cities, transport, and manufacturing.
- Significantly increasing our support for a just transition away from coal for client countries that request assistance. Importantly, we will seek to mobilize the further large-scale resources to support this. One example is the jobs and skills transition for people working in the coal sector. Another is helping countries replace coal with affordable, reliable and cleaner alternatives as they expand electricity access.
- Increasing our climate finance so 35 percent of World Bank Group financing has climate co-benefits, representing a major increase in climate action funding for developing countries. It's a big step up from the 26 percent achieved on average in FY16-20 and an even bigger step in dollar terms as our total financing has expanded.

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