World Bank COVID-19 Response
Fact Sheet
Operations Policy and Country Services

October 14, 2020

The COVID-19 pandemic's toll is enormous, and the developing world are likely to suffer the longest and hardest. The World Bank Group is taking fast, broad, early action to help developing countries fight the health, social and economic impacts of the pandemic. The World Bank is providing large net positive flows to the world's poorest countries and making rapid progress in directing up to $160 billion to our client countries. This note focuses on key highlights of the World Bank's response, which we hope can help inform a revision of the paper recently issued by the Center for Global Development (CGD), which contained some factual errors.[1]

The Bank's response to COVID-19

Between April and September 2020 alone, the World Bank has committed $43 billion, or 41 percent of the $104 billion of lending capacity indicated in March for the 15 months from April 2020 to June 2021.[2] More recently, on October 13, 2020, the Board of Executive Directors approved an envelope of $12 billion to finance developing countries' acquisition and deployment of COVID-19 vaccines, when they are deemed safe and effective. We have a strong pipeline of operations under preparation and are on track to deploying WB resources to support countries with the resources they need.

The World Bank COVID19 financial response is in support to government policies and actions to respond to the health crisis, support households and firms, finance the response, and build the foundations of an early, sustainable recovery. The WBG developed a technical approach to the response, drawing on international experience, lessons from evaluation, and technical advice from partner institutions. This framework is customized to countries' needs and context. Close to a quarter of the commitments in the COVID19 response is aimed at 'saving lives'[3], the health-related pillar in the Bank's approach. We are now working to support the COVID19 health response in over 110 developing countries—home to more than 70% of the world's population. We expect that the newly approved $12 billion facility for vaccines to add to our efforts under this pillar. The remaining response so far has focused 28 percent on 'protecting the poor and vulnerable'; 13 percent on 'ensuring sustainable business growth and jobs'; and 36 percent on the fourth pillar, 'strengthening policies, institutions and investment for rebuilding better'.

The World Bank's COVID19 response has been focusing on increasing financial flows and technical support to low and low-middle income countries, including FCV and Small Island states, which have limited capacity to withstand the COVID19 shock. Of the $43 billion committed by end September, $25

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[1] "*Is the World Bank's COVID-19 Crisis Lending Big Enough, Fast Enough? New Evidence on Loan Disbursements*" by Julian Duggan, Scott Morris, Justin Sandefur, and George Yang.

[2] Contrary to the CGD paper reference, the $160 billion envelope is an envelope of commitments for the whole World Bank Group. It includes $104 billion from IDA and IBRD, the rest from IFC, MIGA and trust funds.

[3] The four pillars of the Bank's response are presented in WBG COVID-19 Crisis Response Approach Paper, "*Saving Lives, Scaling-up Impact and Getting Back on Track*," June 2020. http://documents1.worldbank.org/curated/en/136631594937150795/pdf/World-Bank-Group-COVID-19-Crisis-Response-Approach-Paper-Saving-Lives-Scaling-up-Impact-and-Getting-Back-on-Track.pdf

billion was for IDA-eligible countries, of which 38 percent has a specific focus on crisis support (in health, support to people or firms, and support to building back better); and $18 billion from IBRD, of which 71 percent has a specific focus on crisis support. Financing to FCV countries was $7.6 billion and financing to Small States was $0.6 billion (for both group of countries, 33 percent of these commitments was specifically for crisis response).

We are using all our instruments to support the response, including investment projects, program for results and development policy operations. The instrument mix is driven by specific country needs and nature of the COVID19 response and alternative sources of financing. Policy and institutional reforms – for instance to introduce or enhance social safety nets and unemployment benefits, finance COVID response expenditures while allowing for tax deferrals, or laying the foundations for sustainable, green recovery – are critical, and are part of countries' response that the Bank is supporting with DPOs. As a result, both the volume and share of Development Policy Operations (DPO) increased in late FY20, bringing the DPO average to 30 percent ($17 billion in volume) in FY20, up from an average of 25 percent in the previous five years ($11 billion average over FY15-19). IDA countries are making greater use of DPOs for the COVID19 response. The IDA share of DPOs in FY20 was 24 percent ($7 billion), compared to an average of 13 percent ($3 billion) over FY15-19. IBRD DPOs stayed essentially flat in FY20, at 36 percent ($10 billion) of total commitments, compared to the 35 percent average in FY15-19.

The WBG COVID19 response has been prioritizing the needs of the poorest countries. Between April and June 2020, WBG commitments have been as high as the sum of *all* other MDBs commitments.[4] The WBG on the one hand and all other MDBs on the other committed $45b during that period. Regarding sovereign lending, IDA and IBRD committed $32 billion during that period, against $31 billion for all other MDBs together. During the same period, the IMF has also been leaving forward, committing $81 billion, of which $46 billion credit lines to middle- and upper middle-income countries.

Disbursements are increasing, due to COVID19 response operations. This is the result of the (i) increased share of DPLs, (ii) redirection of part of the portfolio to support priority activities, (iii) emergency COVID19 health operations under the Global COVID19 MPA (which will expand with the recently approved envelope of $12 b), and (iv) proactive portfolio management by the Bank and country authorities. In the first quarter of FY21, disbursements increased to $11.8 billion, close to double against the $6.4 billion in the first quarter of FY20. Implementation and disbursements of operations under the COVID-19 multi-phased approach global health program are much faster than regular health portfolio, as expected. $1.2 billion disbursed (or 30 percent of commitments under health MPA program) were disbursed in the first few months of implementation. In addition, the higher share of Development Policy Operations translates into $6.3 billion of disbursements this first quarter of FY21, against $1.8 billion the first quarter of last year. From April until end September 2020, 49% of total IBRD and IDA disbursements were from Development Policy Financing.

The Bank's crisis response is increasing net flows, especially for IDA countries. All IDA borrowing countries are seeing positive net flows. At shareholders' request, the World Bank and other MDBs have explored ways for MDBs to contribute to the objectives of the Debt Service Suspension Initiative (DSSI). The World Bank's role is to ensure countries have timely and significant positive financial inflows during the crisis to augment fiscal resources available without increasing debt vulnerabilities and the CGD

[4] *Leaning Forward to Save Lives, Scale-up Impact and Get Back on Track – World Bank Group COVID-19 Crisis Response Update*, upcoming, October 2020.

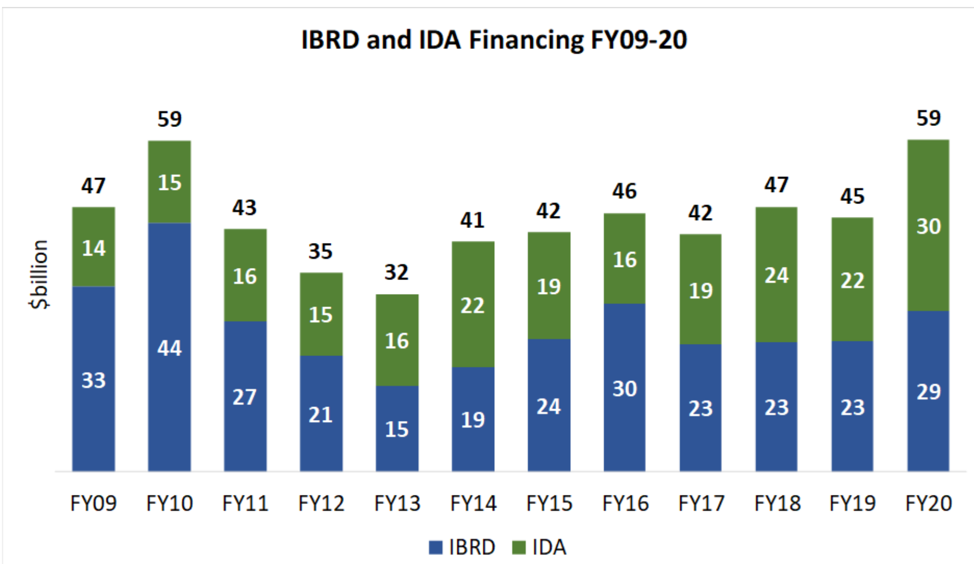
paper demonstrates this to be the case[5]. IDA in particular has the ability to provide grants and zero interest rate, long maturity credits: the ability to commit record amounts during the crisis would be much less if our market access was jeopardized by suspending debt payments without the support of shareholders to make IBRD and IDA whole.

Comparing to the Bank's response to the Global Finance Crisis

The CGD paper makes several comparisons to the Bank's response to the Global Finance Crisis (GFC) around 2009. It is important to understand similarities and differences.

World Bank financing over FY09-11 totaled $149 billion, with about 70 percent of that response to IBRD countries. IBRD tripled its lending compared to pre-crisis levels, which was made possible by IBRD's strong capital position at that time. On the IDA side, partly due to IDA's more limited capacity but also due to the nature of the global financial crisis, its transmission channels and a lagged impact of the crisis in IDA countries, IDA's commitments stayed around $15 billion throughout FY09-11. IDA contributed 30 percent to the Bank's financing over FY09-11.

In FY20, World Bank commitments reached $59 billion, the same as in the first full year of the GFC response (FY10) and higher than the commitments the year the crisis hit (FY09, with $47 billion committed). Close to 52 percent of FY20 commitments were for IDA countries.



The March announcement of $160 for the WBG COVID response reflected the fact that IDA and IBRD have similar financial capacity to respond. This was not the case in FY09. In FY09, IDA was in the middle of a replenishment cycle (IDA15), while IDA now has access to markets and is just starting to implement IDA19. IBRD entered the GFC with substantial capacity due to the comfortable capitalization relative to exposure in 2008, with an equity-to-loan ratio of 37.5 percent at the beginning of the crisis. This compares to an E/L ratio closer to the 20 percent policy limit today.

[5] The CGD paper highlights some exceptions, like El Salvador, Indonesia and Ukraine, none of which are actually eligible to DSSI. As shown in CGD's Figure 8, Yemen too has very strong positive net flows from the Bank. New projects are just being approved and will ensure this continues.