Is the World Bank's COVID-19 Crisis Lending Big Enough, Fast Enough? New Evidence on Loan Disbursements

Julian Duggan, Scott Morris, Justin Sandefur, and George Yang

Abstract

The World Bank has forecast an unprecedented global recession in 2020-21, and the reversal of a decades-long fall in global poverty, provoking an acute need for short-term financing in low- and lower-middle income countries. Critics contend that the Bank has failed to rise to this challenge, acting slowly to increase lending volumes and resisting calls for a multilateral debt standstill. We compile a new data set, combining official sources with transaction-level records scraped from the World Bank website, spanning all commitments, disbursements, and payments on all World Bank loans from before the 2008-09 Global Financial Crisis (GFC) through August 2020, allowing us to compare the Bank's COVID response to the last comparable global crisis. We find that lending has indeed accelerated in 2020, with new loan commitments up 118 percent year on year in the first seven months of 2020, but actual disbursements up only 31 percent. The latter represents less than half the increase in monthly disbursements observed during the GFC. At this rate, the Bank appears to be on track to fulfill only half of its own target of $160 billion in new lending by June 2021. Furthermore, unlike during the GFC, there has been no increase so far in 2020 in the use of the Bank's "Development Policy Lending" instrument, which allows for rapid, flexible budget support. Overall, the pace of World Bank lending appears incommensurate to the scale of the crisis: while the Bank forecasts a 4.1 percent decline in GDP growth between 2019 and 2020 in the median low-income country, World Bank disbursements in 2020 have risen by just 0.3% of GDP by comparison.

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The data and replication files for this paper are available here (700mb download). More information on CGD's research data and code disclosure policy can be found here: www.cgdev.org/page/research-data-and-code-disclosure.

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1. Introduction: How quickly is the World Bank delivering on its crisis commitments? Is it enough?

How well is the World Bank responding to the Covid-19 pandemic? A comprehensive answer would recognize that the bank is engaged in a diverse array of activities in its client countries—among them, the provision of PPE, support for remote learning in the education sector, and cash support for households and small businesses. It will take time to fully assess the bank's performance across all these dimensions. But if we simply consider the World Bank as a source of much needed finance for national governments facing severe economic shocks in their countries, we can more easily gain a picture of the bank's performance, even within a relatively short period of time.

The World Bank's role as a crisis lender is typically overshadowed by the IMF. The bank is better known for its long-term sector specific work, which accounts for thousands of sector specialists employed by the institution to provide technical expertise far removed from banking operations. Yet, since its founding, the World Bank has been a lender to governments. When countries experience crises that affect their short-term financing capacity, they often turn to the World Bank for crisis lending, just as they do the IMF. This is particularly so during systemic crises when bodies like the G7 and G20 direct the IMF and World Bank together to scale up crisis lending.

World Bank president David Malpass has fueled doubts about the institution's eagerness to deploy emergency financing quickly, signalling instead a desire to use COVID relief as leverage to push a longer-term reform agenda.

> "Countries will need to implement structural reforms to help shorten the time to recovery and create confidence that the recovery can be strong. For those countries that have excessive regulations, subsidies, licensing regimes, trade protection or litigiousness as obstacles, we will work with them to foster markets, choice and faster growth prospects during the recovery."[1]

The World Bank's performance has also come under criticism due to its decision not to participate in the G20 debt standstill arrangement, which is aimed at boosting the fiscal capacity of low income country governments this year. Unlike the G20 member countries, the World Bank and other MDBs will not suspend payments due from its poorest borrowers this year, the so-called "IDA" countries. For critics, a loan payment made to the World Bank is money better spent by governments on pressing crisis needs. World Bank officials counter that what matters most is the overall scale of new commitments the institution is making during this crisis period, which they say works out to multiples of what countries are paying back to the bank on older loans.

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[1] Remarks by World Bank Group President David Malpass on G20 Finance Ministers Conference Call on COVID-19, March 23, 2020. https://www.worldbank.org/en/news/speech/2020/03/23/remarks-by-world-bank-group-president-david-malpass-on-g20-finance-ministers-conference-call-on-covid-19?cid=ECR_TT_worldbank_EN_EXT

Reconciling these stances, and properly judging the bank's case, requires a clear view of the institution's crisis financing. To date, World Bank officials and data reporting by the institution have spotlighted new commitments to client countries. But these numbers are of limited value. Depending on the nature of the World Bank project, the actual disbursement of funds following a new commitment can take months to commence and up to a decade to complete. In a crisis period when countries face severe and immediate liquidity constraints, either because they have lost existing sources of financing (sharp falls in tax revenues, loss of access to bond markets), then a World Bank commitment to fund a future project under uncertain timelines matters less than the actual disbursement of funding from the bank, whether this entails quick disbursements from new crisis commitments or expedited disbursements from pre-crisis funding commitments.

The picture of World Bank crisis performance is made more complete when we consider both the flow of funds from the World Bank to client countries in the form of these disbursements *and* the contemporaneous flow of funds from these countries back to the bank in the form of loan repayments. The World Bank's *net flows* to its borrowing countries give us the best view of the degree to which the World Bank is stepping up in helping countries mount an appropriate fiscal response to the crisis, or if the bank's response is falling short.[2]

During non-crisis periods, it is not unusual for World Bank client countries to experience negative net flows, as they have higher payments due to the bank than they are currently receiving in new disbursement. Hence, it is reasonable to approach the World Bank's case for avoiding payment suspensions with some caution. At a minimum, the bank should not be a drain on countries' fiscal responses to the crisis. But that sets a very low bar for performance.

Unfortunately, the World Bank does not report net flows at the country level on a monthly basis, making it difficult to assess performance in the midst of the current crisis. This note attempts to remedy this problem by bringing together various World Bank data sources to provide a current view of the bank's net flows across countries. Using historical data, we compare the bank's current performance to the pre-crisis period, as well as the period of the global financial crisis.

We also consider the degree to which the World Bank is prioritizing net flows across country income categories. Do disbursements flow more quickly for IDA's predominantly low income country borrowers, or for the IBRD's middle income borrowers? And how does this compare to the global financial crisis?

This note concludes with some consideration of liquidity needs in the current crisis. Even if the World Bank is doing more compared to earlier periods, is it enough? From this

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[2] World Bank publications refer to "net disbursements," defined as gross disbursements minus repayments of principal. For clarity, we follow this traditional World Bank definition, but also report on an alternative measure, equal to gross disbursements minus repayments of principal as well as interest and fees, which we refer to as "net flows."

standpoint, what adjustments in policy and resources are needed: selective debt standstills and/or debt write downs; greater reliance on fast-disbursing lending instruments (DPLs instead of ILs); reconsideration of loan conditionality to the degree it is slowing disbursements during the crisis period.

2. Data sources and construction

Wherever possible, we rely on official World Bank figures in our analysis. To our knowledge, however, there is no single data set that provides comprehensive, month-by-month, country-by-country data on World Bank lending, pre- or post-pandemic. To fill this gap, we combine official World Bank reports with transaction-level data scraped from the World Bank website to construct a historical series of all IDA and IBRD commitments and disbursements from 1992 through the end of July 2020. The data also covers repayments from 2011 onward. IFC loans and investments are not included. The combined data set is available for download at https://cgdev.org/worldbank_disbursements, along with the Python code to scrape the World Bank website, and R and Stata programs to reproduce all the tables and graphs below.

We combine three main World Bank sources:

(A) "Projects": the universe of World Bank projects. The World Bank operations department posts a full set of historical World Bank projects. This list ostensibly includes the universe of all World Bank projects, including 19,427 IBRD loans and IDA grants or credits approved by the board from 1947 through mid 2020.

(B) "Transactions": historical transaction-level data on disbursements and repayments. The Project List provides only project-level information recorded at or around the time of board approval. However, the hyperlinks to individual project pages record "Detailed Financial Activity as of August 31, 2020," reporting transaction-level dates and amounts for each new disbursement tranche or repayment. An example can be seen here (scroll down). Comparing these transactions to the universe of projects in (A), we can corroborate that we have reliable coverage for projects initiated between 1992 and 2019 (Appendix Figure A1).

The missing transactions for older projects pose a challenge for studying disbursements and (more so) repayments in later years, as disbursements typically occur over a period of 7 years, and repayments occur over 20 to 30 years and occasionally longer. Missing transactions also occur for projects approved recently in 2020, as the project-specific websites are not current in some cases. We can fill most of these gaps using our third data source, but check our data for robustness by comparing our estimates to national and global totals reported separately by the World Bank.

(C) "Balances": current disbursement and repayment totals to date, by project. The World Bank publishes up to date project-level information on outstanding balances and totals disbursed and repaid to date in "IRBD Statement of Loans—Latest Available Snapshot" and the equivalent "IDA Statement of Credits and Grants—Latest Available Snapshot." These monthly snapshots provide project level totals and go back to April of

2011. We construct month-by-month disbursements, repayments, and commitments by subtracting project totals from prior months for projects not included in our transaction-level dataset (B).

Since we know that we are missing many projects prior to 1992, some of which are still giving repayments on principal, relying on scraped repayment values alone (Data Source B) will underestimate total repayments. We fill this gap by adding in these imputed monthly repayments of principal from the World Bank snapshot (Data Source C).[3] For 2020, we add in imputed disbursements, repayments, and commitments. For a comparison of our data prior to this change, see Appendix Figure A4.

Combining these pieces—i.e., downloading (A), scraping (B) from the Bank's website, and appending older (pre-1992) and newer (2020) projects to (C)—we arrive at our final dataset. The final data set should reflect all disbursements from approximately 1999 onward (i.e., once loans before 1992 have finished disbursing), but will potentially have gaps in repayment flows up to the present day.

3. Speed of new commitments and disbursements

In response to the COVID crisis, the World Bank pledged in February that it would deploy "up to" $160 billion in financing in the 15 months ending June 30, 2021.[4] By our calculations, actual World Bank lending commitments (i.e., new loans approved by the board) are slightly behind pace to reach that goal. At its current pace the Bank would commit just $129 billion by the June 30 deadline (Figure 1).

Actual loan disbursements are much further behind. Even counting all disbursements (including loans planned and approved before the pandemic), the Bank has only released $21 billion against this $160 billion pledge, putting it on track to fall short by more than half come June 2021 (Figure 1).

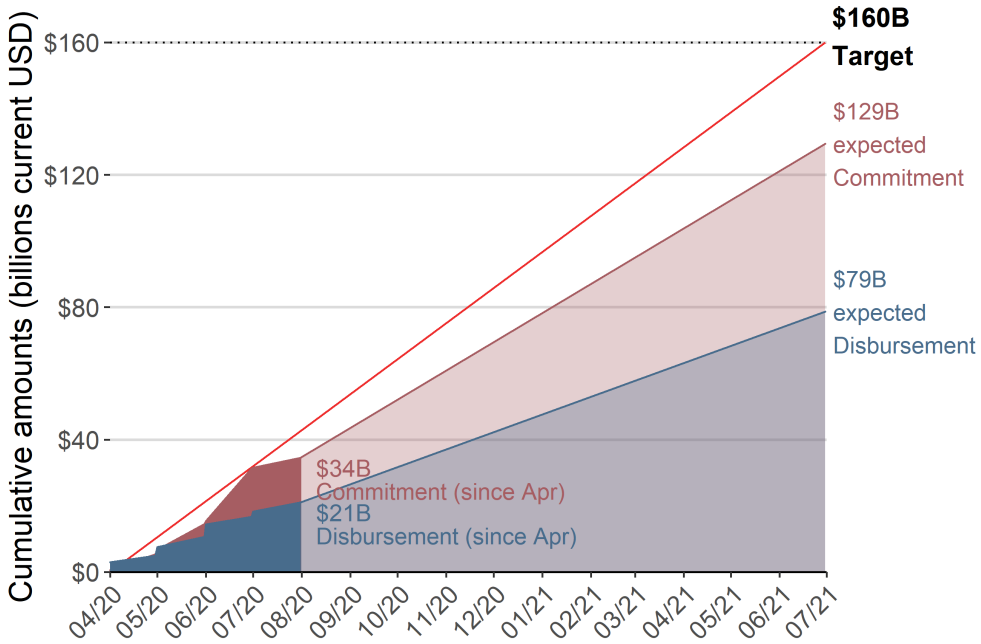
In this section, we take a closer look at these trends. It is difficult to judge how fast is "fast enough," or "as fast as possible," when it comes to the World Bank's crisis response. As a benchmark, we compare the rise in World Bank lending during the COVID crisis to the last global crisis of remotely equivalent scale, the 2008-09 Global Financial Crisis (GFC).

[3] We have no direct measure of interest and fee payments for these missing 2020 transactions. However, given that most of the missing loans were issued prior to 1992, it is likely that unrecorded repayments in 2020 consist primarily of payments on principal.

[4] https://www.worldbank.org/en/news/factsheet/2020/02/11/how-the-world-bank-group-is-helping-countries-with-covid-19-coronavirus

Figure 1. Is the World Bank on track to meet its $160 billion target by June 2021?

Cumulative commitments and disbursements (Starting April 1st, 2020)



3.1 How does the World Bank's COVID response compare to the 2008-09 crisis?

We calculate the rate and acceleration of both commitments and disbursements in 2020 compared to earlier periods. We break up the comparison between IDA and IBRD and add the reference point of the year before the GFC and the year before the COVID-19 pandemic.[5][6]

Consistent with official World Bank statements, we find that IDA commitments have grown faster year-on-year during the coronavirus pandemic than they did during the GFC. So far during the pandemic, IDA commitments have grown by 200 percent relative to the same period in 2019 (Table 1 and Figures 2 and 3) compared to just 16 percent growth during the

[5] We define the period of the coronavirus pandemic as from 2/1/2020 to 8/1/2020 (the end of when we have data available). This timing reflects the reality of the pandemic and the first official World Bank statements about an emergency COVID financing response, even though the World Bank itself often measures its response as starting in April (per Figure 1 above).

[6] We define the GFC as the period between 11/1/2008 and 6/1/2010. The G20 summit meeting in November of 2008 was the first call for MDB action. At the tail end, the Leaders' statement from the June 2010 summit reads as retrospective. These dates are corroborated by our data: on a plot of total annual commitments by the year they are approved, we see a peak during this time frame (Figure 2).

GFC. The opposite holds for IBRD, which has seen lending growth of 87 percent compared to a year prior, compared to 146 during the first six months of the GFC (Table 1).

Actual disbursements have grown much more slowly during COVID, but the same relative patterns holds: faster growth for IDA than IBRD, and faster growth for IDA than during the GFC, but not so for IBRD.

If we restrict our lens to disbursements from new loans approved since the pandemic struck, we see the World Bank's overall response to the pandemic looks sluggish compared to the GFC (up 97 percent compared to 230 percent in 2008-09), but again, the IDA response has been quicker this time (up 205 percent compared to 61 percent) (Table 1).

While we cannot make a direct comparison to 2008-09, we also find that net disbursements—after subtracting repayments—increased by 54 percent during the first six months of the COVID response, and in this case IBRD actually outstrips IDA, with 89 percent growth compared to 65 percent growth (Table 1).

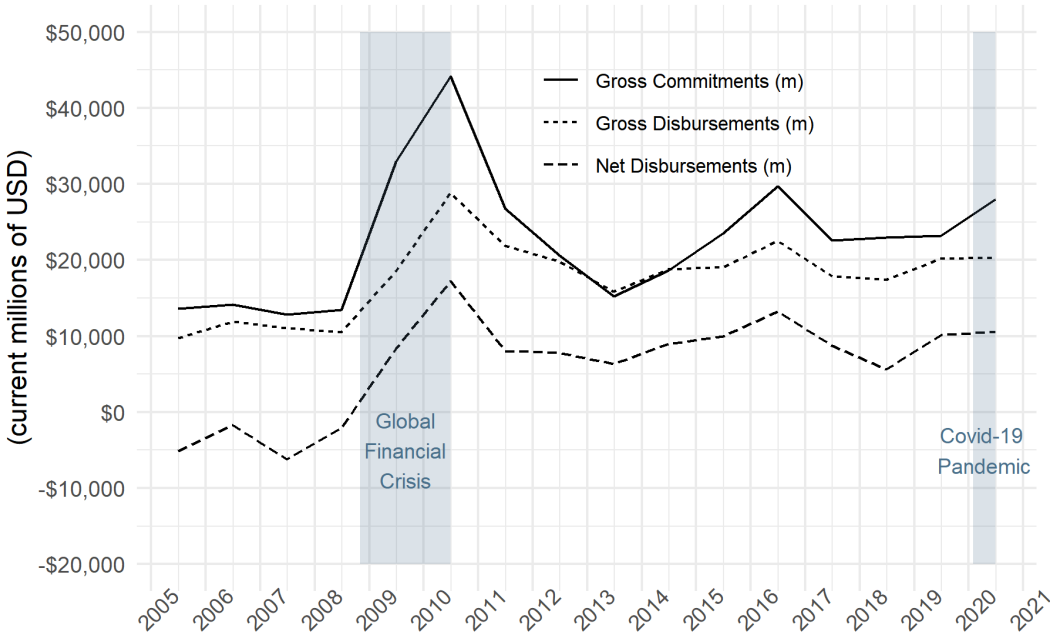
Table 1. Speed of commitment and disbursement totals (year to date)

			Levels			Growth		
	Period Start	Period End	IDA ($B/mo.)	IBRD ($B/mo.)	Total ($B/mo.)	IDA % YoY Rise	IBRD % YoY Rise	Total % YoY Rise
Commitments								
COVID	2/1/2020	8/1/2020	4.57	4.11	8	200	87	118
GFC	11/1/2008	6/1/2010	1.36	3.85	5.08	16	146	96
GFC first 6 mo.	11/1/2008	5/1/2009	0.94	3.91	4.75	-20	150	84
Disbursements								
COVID	2/1/2020	8/1/2020	2.33	2.5	4.37	46	37	31
GFC	11/1/2008	6/1/2010	1.01	2.31	3.18	21	103	71
GFC first 6 mo.	11/1/2008	5/1/2009	0.98	2.14	2.99	17	89	61
Disbursements of 2020 loans								
COVID	2/1/2020	8/1/2020	1.03	1.16	1.81	205	101	97
GFC	11/1/2008	6/1/2010	0.31	1.41	1.72	61	303	230
GFC first 6 mo.	11/1/2008	5/1/2009	0.19	0.99	1.18	-1	182	126
Net Flows								
COVID	2/1/2020	8/1/2020	1.72	1.61	3	65	89	54

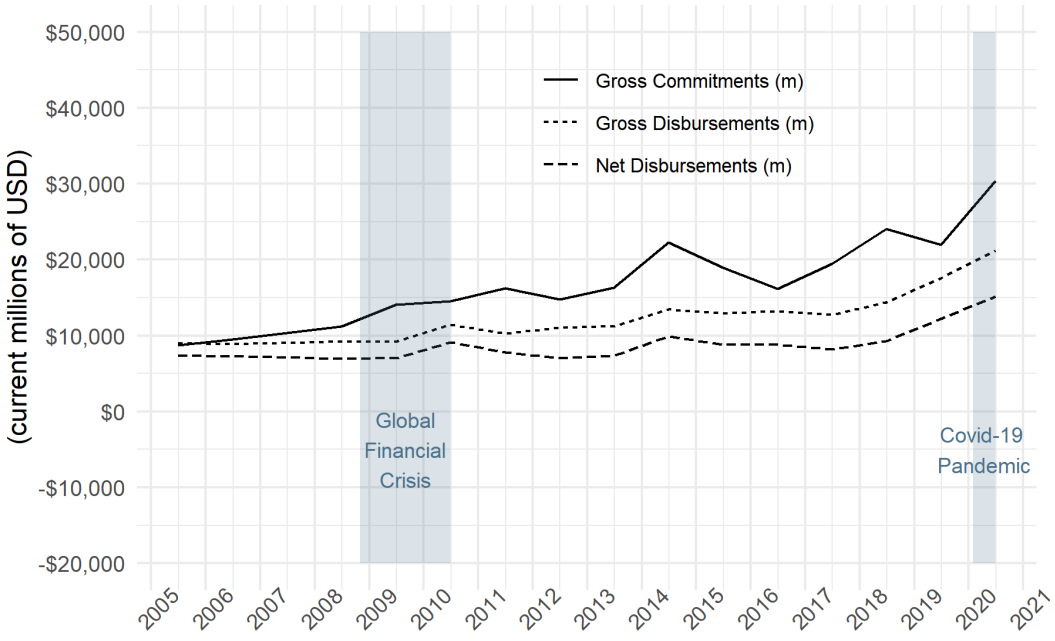
Note: Except the former Yugoslavia, we include only disbursements to specific countries and exclude disbursements to regions of countries. Additionally, some countries which receive both IDA and IBRD loans are included in both the columns pertaining to IDA and the columns pertaining to IBRD. Therefore, IDA and IBRD figures do not add up to "Total" values.

Figure 2. World Bank commitments and disbursements over time

IBRD



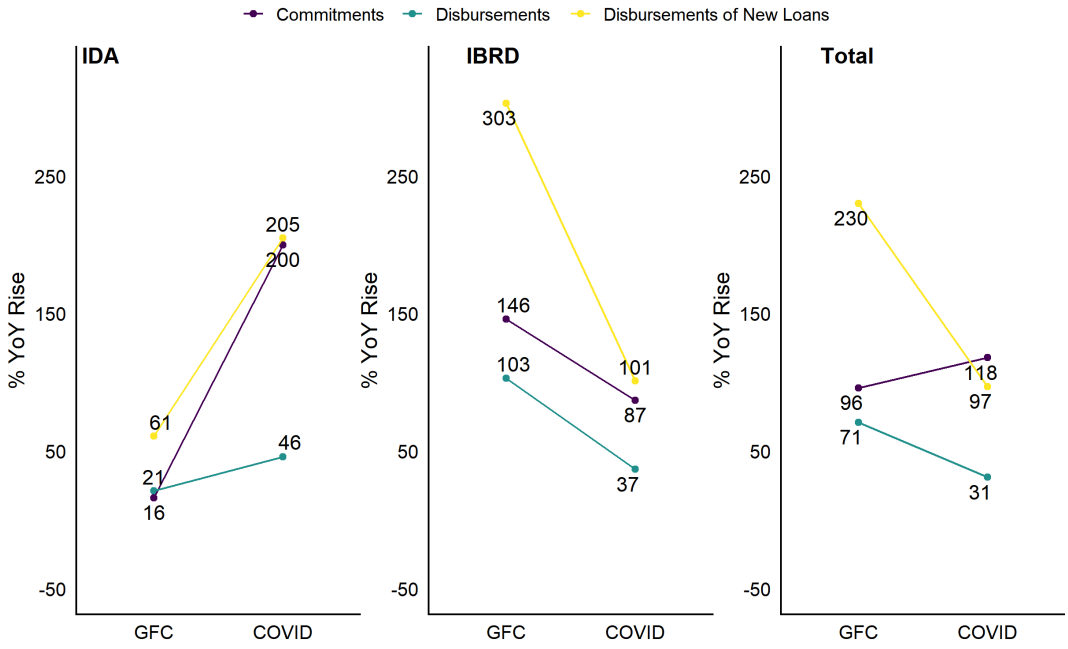
IDA



Note: These data are taken from World Bank financial statements, based on lending over the fiscal year ending in June.

Figure 3. Comparing the growth of World Bank lending during the 2008-09 GFC and the COVID crisis

Year-on-year percent increase in monthly lending volumes



Note: Here, GFC is the period from 11/1/2008 to 6/1/2020. We plot the entire GFC, but do not plot the first 6 months in this graph.

3.2 Has the World Bank increased the use of instruments like "Development Policy Lending" that get money out the door more quickly?

Short answer: no.

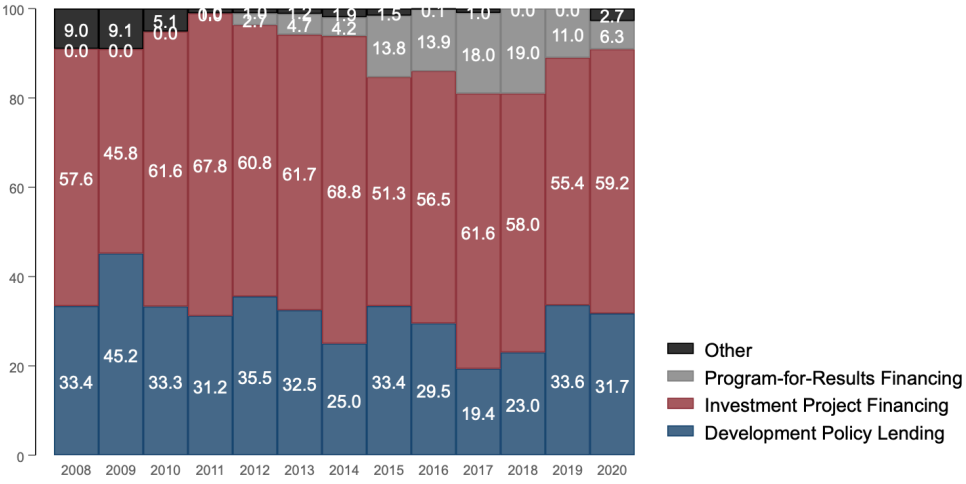
Since roughly 2015, the World Bank has used just three main lending instruments. First, investment Project Financing (IPF) represents the vast bulk of World Bank lending, and encompasses loans for standalone projects, often with a large procurement element. Money is disbursed as costs are incurred, following a rough schedule over multiple years. Second, Program-for-Results (PFR) financing is a relatively new lending instrument at the Bank, in which funds are disbursed when borrowers meet agreed output targets. Third, Development Policy Lending (DPL) is the successor to structural adjustment loans of previous decades. It includes what is informally known as general budget support. Money can be disbursed quickly, conditional on a set of "prior actions" taken by the borrowing government before signing (these prior actions ostensibly replace the "conditions" in structural adjustment loans).

The share of Bank lending across these three instruments has been quite stable in recent years, and 2020 looks no different (Figure 4).

Over the past five years, the share of new World Bank commitments (in dollar terms) which are DPLs has hovered between 20 percent in 2017 and 34 percent in 2019. In 2020, that share fell slightly to just under 32 percent. The share of IPFs reached a new high among recent years, at just over 59 percent, with a drop in PFR loans, down to 6 percent from a high of 19 percent in 2018.

Figure 4. Is the World Bank using faster loan instruments in 2020 as it did in 2009? (year to date)

Percent of new commitments by lending type



Note: Percentages show the share of new commitments, approved by the board since the start of the COVID crisis, weighted by dollar value.

4. Net flows to specific countries

Commitments and disbursements are a misleading measure of the World Bank's liquidity support for developing countries during a crisis; those same countries may be simultaneously repaying earlier World Bank loans. To account for this bias, we compute net flows from the World Bank to each country, defined as disbursements net of repayments, including payments on principal, interest, and fees.

4.1 How does the World Bank response compare to the scale of countries' needs?

The scale of the COVID crisis is staggering. In April of this year, the IMF's World Economic Outlook forecast a global recession larger than the 2008-09 crisis. On average across emerging markets and developing economies, the IMF predicted 2020 growth would fall by more than 5 percentage points relative to 2019, and by more than 6 percentage points

relative to its own forecast just a few months earlier. In June, the IMF revised these forecasts down even further. And while quarterly GDP figures are not available for many low-income countries, early signs indicate that the actual hit to growth in the developing world may be even worse than anticipated. To date both India and Peru have reported year-on-year drop in first GDP of between 20 and 30 percent.

After decades of falling global poverty, the World Bank has forecast a reversal in 2020, with an additional 54 million people falling into extreme poverty in 2020.[7] Household surveys in the two countries with the most poor people in the world, India and Nigeria, show the depth of the economic crisis. In rural India, despite a modest recovery after lockdown, earnings remain down 44 percent relative to pre-pandemic levels, and unemployment stands at 40 percent.[8] In Nigeria, 77 percent of households report a shortage of food, up by 40 percentage points from the beginning of the year.[9]

While rich countries have reacted to this unanticipated economic shock with significant economic stimulus—an average of 8 percent of GDP in direct fiscal measures in advanced economies according to the IMF—poorer countries lack the fiscal space and short-term liquidity to do so. The IMF reports the average fiscal stimulus in low-income countries since the start of the pandemic has been just 1 percent of GDP.[10]

The scale of the crisis provides some context to evaluate the magnitude, and ultimately sufficiency, of the World Bank lending response to COVID-19 to date. For comparison, we also present the increase in World Bank disbursements and the growth decline during the 2008-09 GFC. We focus just on the first six months of both crises for comparability.[11]

Results in Figure 5 show, for instance, that disbursements to low-income countries have increased relative to the same period last year by only about 0.33% of 2018 GDP since the start of the COVID crisis. That is, however, a somewhat bigger increase than this poorest group saw during the Global Financial Crisis. Expressed as a share of GDP, all other groups of countries have seen a negligible increase in lending.

These numbers look somewhat worse given the scale of the current crisis (i.e., compared to the red bars showing the depth of the decline in forecast growth). Low-income countries face a much more severe crisis this time around and have little capacity to enact the necessary economic stimulus or fund social safety nets.

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[7] https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty

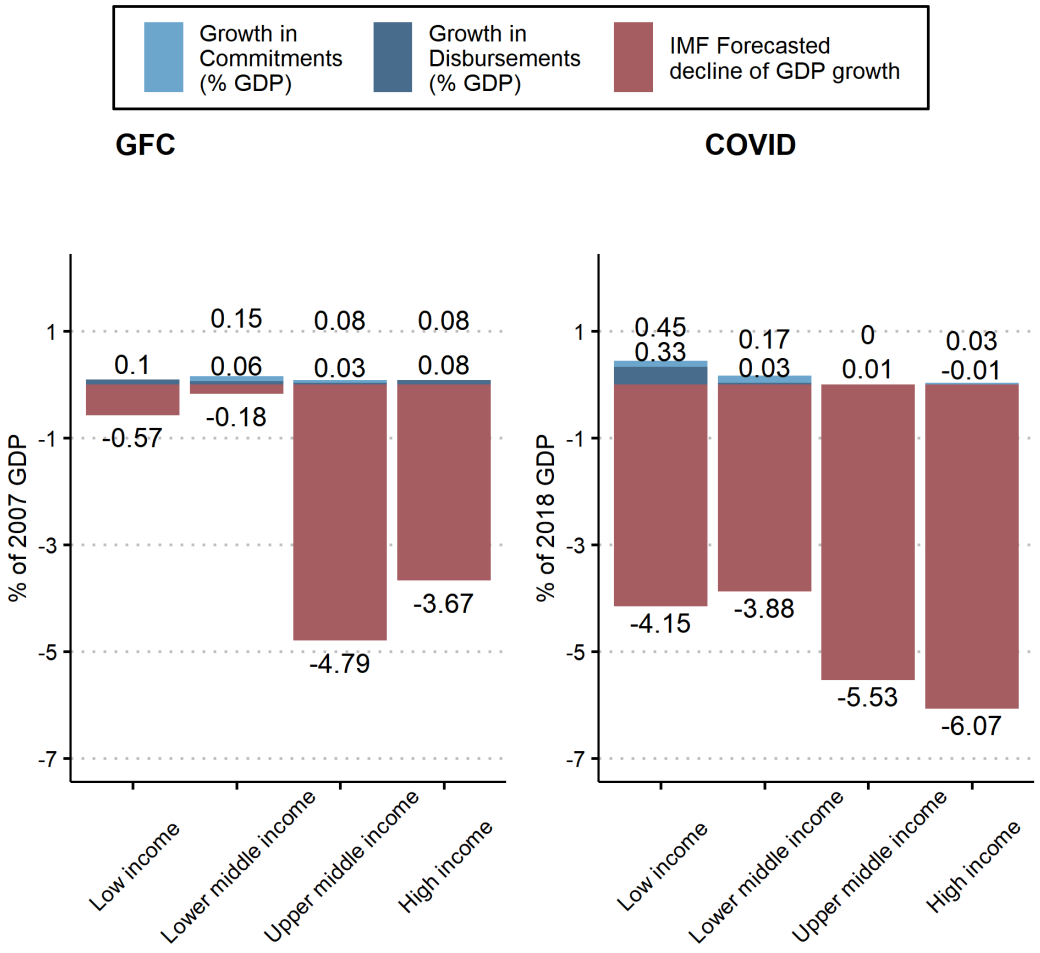
[8] https://blogs.worldbank.org/endpovertyinsouthasia/how-did-indias-rural-economy-fare-through-covid-19-lockdown-and-re-opening

[9] http://documents1.worldbank.org/curated/en/558651594710025355/pdf/2nd-Round-Results.pdf

[10] https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19

[11] Note we rely on the 2020 World Bank income classifications during both periods, so that the set of countries is the same across crises for this comparison.

Figure 5. World Bank lending growth (year-on-year during first six months of COVID, as % of GDP) vs. the forecast decline in GDP growth



Note: All figures are weighted averages (by GDP) for the countries in each income group; for comparability, we use countries' 2020 World Bank income classifications in both periods (i.e., the set of low-income countries is the same in both periods). Commitments and disbursements refer to totals for the first 6 months of each crisis, starting in Nov 2008 and Feb 2020, respectively. The growth decline is defined as the change in growth rates from 2008 to 2009 for the GFC and from 2019 to the (IMF's April WEO) 2020 forecast for the COVID crisis.

4.2 Who would benefit most from a debt standstill?

One point of controversy in the World Bank's response to the COVID-19 crisis has been its refusal to participate in the Debt Service Suspension Initiative (DSSI) announced by the G20 in April of 2020. The DSSI offers suspension of payments (both principal and interest) on loans from official bilateral creditors to 73 low-income countries.

The main reason the World Bank has offered for declining to participate, as laid out in a July note, is that doing so would endanger its own credit rating, and thus its ability to lend to low-income countries in the future.[12] The basic business model of the World Bank is to borrow at low rates, exploiting its AAA credit rating, and lend on to (generally higher risk) developing countries at discounted rates. The Bank can do this without jeopardizing its AAA rating in part because it is treated as a "preferred creditor," putting it first in line for repayment.

The Bank's July note argues that participating in the debt service suspension could jeopardize both its AAA rating, and lead to confusion about its preferred creditor treatment (if private creditors continue collecting while the World Bank does not). The consequence, the World Bank argues, is that suspending relatively modest quantities of debt service payments in the short term would jeopardize its ability to lend much greater volumes in the medium to long term. Refusing debt relief is, by the Bank's logic, in the best interest of both the Bank *and its borrowers*.

Data alone, including the transactions data we present here, cannot fully resolve the current debate about the wisdom of multilateral debt relief. But data may clarify a few of the relevant considerations.

All else equal, DSSI should be more attractive to borrowers if the following conditions hold:

1. Current debt service payments are high.
2. Expected future loan volumes from the World Bank are low.
3. A country's discount rate, defined by its own short-term cost of capital outside the MDB system (rather than the World Bank's lending rate, as often used in debt relief discussions), is high.
4. The probability of a substantial reduction in future World Bank lending due to debt relief is low.

To judge the relative magnitudes of #1 and #2, we look at the size of gross disbursements and repayments in 2020 by each IDA borrower, as shown in Figure 6. The variance across countries is large—implying that the benefits of World Bank participation in DSSI might be as well. At one extreme, Rwanda has received disbursements equivalent to 3.6 percent of its 2018 GDP so far this year and made payments to the World Bank equivalent to 0.2 percent of GDP. At the other extreme, El Salvador has received no new disbursements from the World Bank and repaid 0.15 percent of GDP.

[12] http://pubdocs.worldbank.org/en/976541595021399817/DSSI-Explanatory-Note.pdf

Combining disbursements and repayments, the vast majority of low- and lower-middle income borrowers are net recipients of Word Bank flows so far in 2020, as shown in Figure 7. For the most part, poorer countries have received larger positive net flows, while upper-middle and upper-income countries have received zero or negative net flows in 2020.

There are important exceptions though, which we examine in Figure 8. After years of fairly heavy lending volumes from the World Bank, Indonesia's repayments so far in 2020 are slightly larger than new World Bank disbursements, with a net outflow of about 0.03 percent of GDP. El Salvador, mentioned above, has been effectively locked out of World Bank borrowing recently, but continues to make regular repayments, rendering it a potential net beneficiary of a debt standstill. Yemen and Ukraine are both interesting cases. While they have received quite large and punctuated inflows form the World Bank in past years to deal with previous crises, so far no new aid has been forthcoming from the World Bank in the current COVID crisis, rendering them net repayers to the Bank.

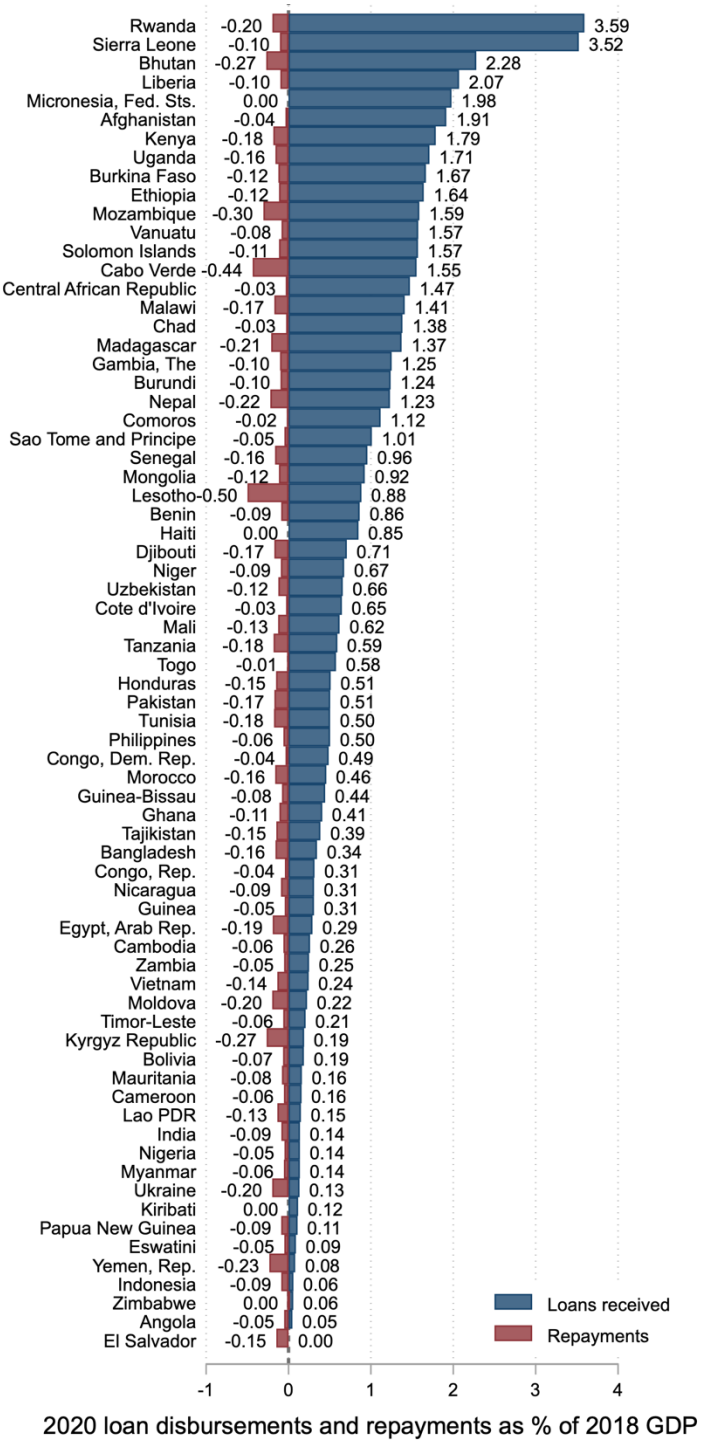
Once again, these figures do not establish whether any of these countries would, on net, benefit from multilateral debt-relief in the long term, but do highlight which countries might be relatively more attracted to such a proposal.

Note that on point #3 in the list above, the cost of capital for IDA borrowers and even many IBRD borrowers likely exceeds Bank lending rates quite considerably. A recent review found average sovereign bond yields in sub-Saharan Africa of over 7 percent, for instance, compared to an IDA lending rate of less than 2 percent. Countries facing such high bond yields will, all else equal, benefit more from a debt standstill.

All of these considerations must be weighed against point #4. We make no attempt to evaluate the likely magnitude (if any) of debt relief on the Bank's own cost of borrowing.

Figure 6. Gross flows to and from the World Bank in 2020 (year to date)

Comparing loan disbursements to all repayments on principal plus interest and fees, as % of recipient GDP



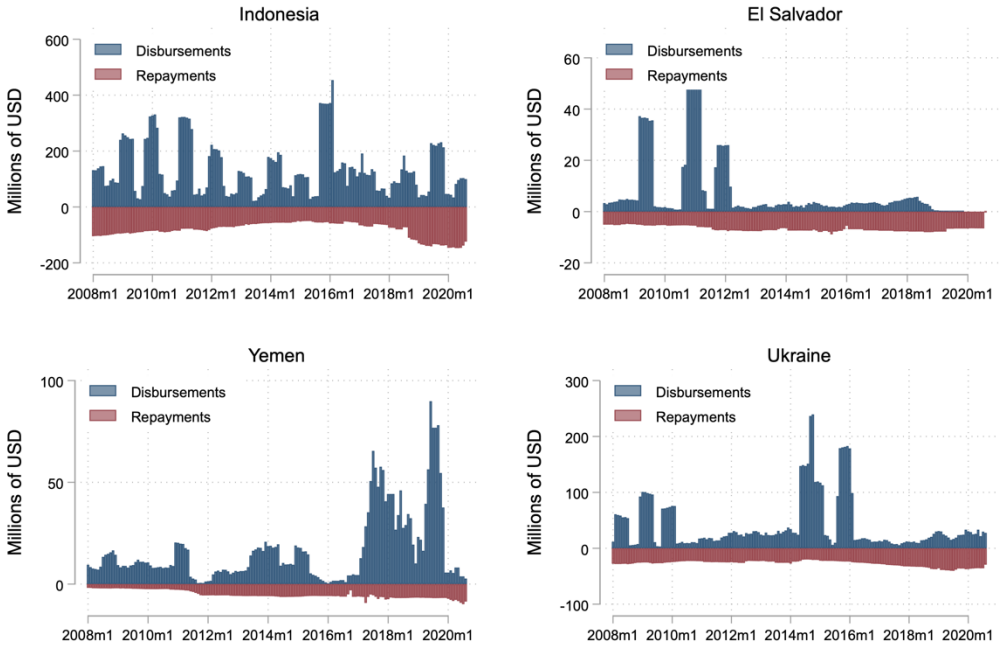
Note: Figure includes low- and lower middle-income countries.

Figure 7. Net flows from the World Bank in 2020 (year to date)

Net flows represent the sum of disbursements and repayments, including interest and fees, as % of recipient GDP

Figure 8. Four countries with negative net flows in 2020 (year to date)

Gross loan disbursements and repayments, moving average of previous 6 months



5. Conclusion

Our analysis shows that the World Bank's response to the COVID crisis is lagging behind its own announced targets, with disbursements on pace to reach only 50 percent of the announced goal. Relative to the Global Financial Crisis, performance looks more mixed: the growth in new commitments has been faster, particularly in the case of IDA, but is much smaller relative to the depth of the crisis that the IMF has forecast for the poorest borrowers. The picture looks worse when we consider disbursements net of borrowing country repayments to the bank.

One explanation for relatively mixed performance is in the choice of financing instruments. The GFC period saw a significant increase in fast-disbursing budget support, from lows of about 30 percent of the portfolio before the crisis to a peak of 45 percent during the crisis response period. In contrast, the use of budget support this year has actually decreased compared to the pre-crisis period and is just over 30 percent of the portfolio. This suggests a different policy framework at work at the World Bank. Where GFC-era commitments were made with an intention to be fast disbursing, there is little evidence of this during the current crisis.

The World Bank's disbursement performance varies across countries, and by one measure, the bank has taken a lesson from the GFC experience. Disbursements and net flows have increased at a much higher rate for low income countries (those eligible for IDA financing) during the current crisis than during the GFC. In contrast, performance for LMICs and UMICs (those eligible for IBRD financing) is much worse. In fact, 54 of 80 IBRD countries have experienced no increase in net flows, and 40 are actually paying more to the bank than they are receiving in disbursements during the current crisis.

This divergence between country groups could reflect strategic decisions within the institution to prioritize IDA countries in the allocation of staff time and resources. It could also reflect non-bank dynamics. For example, demand from IBRD-eligible borrowers may not have increased to the same degree it did during the GFC. IBRD loans are less concessional than IDA loans. As a result, demand for IBRD loans is likely to be more sensitive to the borrowing country's other financing options. IDA eligible borrowers are much more likely to seek the maximum amount of IDA loans and grants on offer.

We draw a number of policy conclusions from this analysis:

1. The World Bank's client countries and its donors would be better served by timely reporting of bank commitments, disbursements, and net flows. As this note demonstrates, data are available to provide a monthly snapshot of bank performance, but to date, the World Bank has been unwilling to report on its performance in this manner. Timely crisis response and course corrections to the response cannot wait for a one-year lag in key performance metrics. The pace of World Bank financing as put forward in this note is a key performance metric. Client countries deserve to know whether disbursements are flowing faster or slower compared to their peers, and bank donors deserve a clear picture of

performance as they are being asked to provide more financing to support the bank's efforts. The same case holds for all sources of official finance, including other multilateral development banks and bilateral aid providers. To the World Bank's credit, there is sufficient publicly-reported data to make this note possible. We are not confident that this is the case with other multilateral lenders and certainly not with many bilateral providers.

2. The World Bank's case for foregoing debt service suspensions may be stronger in the aggregate than on a country-by-country basis. There are a significant number of low income countries that are not seeing an increase in support from the bank on a net flow basis. Absent an increase in World Bank disbursements to these countries, they clearly would be better off if they did not have to repay existing bank loans during the current period.

   It is worth noting the basic political premise of the World Bank's statement refusing to participate in DSSI. The Bank places the onus for maintaining its own credit rating on its borrowers rather than its creditors. The dire warnings cited by the World Bank from Moody's, S&P, and Fitch generally come with the caveat that participating in DSSI could affect the Bank's AAA rating "unless most of the losses were compensated" by their shareholders. Now, it is perhaps beyond the remit of World Bank management to tell its shareholders what to do, and thus it spends its energies on debating the wisdom of debt relief, assuming no help will be forthcoming. But that is not an appropriate assumption for us to have in the public sphere, where the policies of shareholder governments are very much up for debate. From this standpoint, it is unclear why the World Bank has not prioritized a donor-supported debt service facility akin to the IMF's Catastrophe Containment and Relief Trust. For client countries that are not being reached adequately through new commitments and disbursements, there is a strong case for donor-funded loan repayments in a manner that provides relief to the borrowers and protects the bank's balance sheet.

3. A failure to scale up budget support lending through the DPL is puzzling. To some degree there may be institutional resistance (and resistance from some of the bank's leading shareholders) to this form of crisis lending, which is much more akin to IMF-style financing and far removed from the project-based support that defines most of what the World Bank does during non-crisis periods. But the bank has also demonstrated greater willingness in recent years to go beyond project support with new approaches like P4R. If there is more institutional openness to such arrangements, then crisis imperatives ought to facilitate even greater uses of direct budget support.

4. Beyond the use of lending instruments, it can be hard to assess why disbursements might be slower than expected and too slow to adequately respond to crisis needs. Loan conditionality can play a problematic role, though hard to measure in real time. World Bank president David Malpass has pointed to crisis lending as a useful

opportunity to address structural reform issues in client countries. These statements suggest that the bank may be prioritizing conditionality over speed of disbursement.

5. The overall scale of the World Bank's crisis response is failing to meet countries' financing needs. The World Bank characterizes its crisis financing according to the level of committed funds. Our analysis focuses on net flows to countries as a better measure of financial support. Yet, disbursements and net flows depend directly on overall commitment levels, and it is important to question the bank's ambition when it comes to overall commitments to date. When it comes to an increase in commitments during the current crisis, the World Bank is doing slightly better than it did during the GFC. But is slightly better commensurate with need? And in turn, does it reflect what the bank *could be doing* given available capital? Earlier CGD analysis identified over $100 billion in untapped lending capacity for the IBRD, consistent with the bank's statutory lending limits. That represents a 50 percent increase in lending over current exposures. Would an additional $100 billion in lending represent too much liquidity for developing economies? Certainly not in relation to lost GDP resulting from the crisis. Going forward, the World Bank and its shareholders should be targeting two things when it comes to crisis finance: an overall scale of financing commitments that fully uses the bank's resources; and clear targets for speed of disbursements that greatly improve the "net flows" picture for all bank client countries.

Appendix. Details of data construction and discrepancies with official figures

To check the accuracy of our combined data set, we compare the totals to figures reported in the World Development Indicators (WDI), which records annual net flows from IDA and IBRD to specific countries from our starting year, 1992, up to 2019. In the scatterplot in the appendix (Figure A2), we plot our estimates of the net flow against the WDI's values. There are some cases where WDI reports net flows are zero while we have a positive flow of WB disbursements. Compared to the WDI, we have an absolute error of 22 percent per country per year on average—about $29M. This error has a standard deviation of $82M, and the average net flow is $163M per country. We have no explanation for this discrepancy, but note that our finding of positive flows in country-years where WDI reports zero is based on (other) official Bank sources.

We can also compare our totals with the World Bank's financial statements. The absolute value of the discrepancy here is on average 8.7 percent, with a standard deviation of 38 percent (Table A1 in the appendix). Here, the error is given as (World Bank value—our estimate)/World Bank value. One explanation for these discrepancies is that the World Bank financial statements for IBRD include transactions with IFC, which we do not include. Another reason for error is that our data may not include "prepayments" on principal, which the World Bank subtracts from net disbursements.

Next, we compare our data to the recently released Debt Service Suspension Initiative (DSSI) data, which is compiled from the World Bank Debtor Reporting System (DRS). There are some differences between our estimation of repayments on principal, fees, and interest, and those of DSSI (see Figures A5 and A6 in the Appendix). We attribute these differences to 1) accounting differences between the World Bank project-level data and that of DSSI[13] 2) changes in debt post-2018, for which the DSSI does not track 3) for older loans, our Snapshot dataset (data source C) does not capture interest payments.[14] For

[13] See https://databank.worldbank.org/data/download/site-content/Debt%20Service%20Payments%20Projections-%20What%20do%20we%20measure.pdf: "differences related to definitions, coverage and vintage will also apply to comparisons of data disseminated by the World Bank based on debtor records and those that draw from creditor records and made available by creditors' reports and on related websites. Some of the most common reasons for differences are (a) exclusion from the measure of external debt of loans payable in domestic currency to non-residents; (b) capitalization and inclusion of interest arrears in the measure of debt outstanding including, in credit records, penalty interest; and (c) classification by creditor type in accordance with source of financing rather than the legal status of the lender."

[14] For example, Pakistan is one country for which we have a large error between DSSI interest amounts and our estimates of interest payments. The projects that we do have interest payments for Pakistan from data source B were approved in 1975. This suggests that Pakistan is still repaying very old loans. However, in general, we do not have much transaction-level data on old loans: we are missing 269 other projects from Pakistan, which we obtain values from data source C. But, data source C does not have interest repayments, only repayments on principal. Therefore, it is to be expected that our dataset differs from DSSI estimates of interest repayments.

country months in which we underestimate repayments on interest, we fill in values from DSSI data.

Figure A1

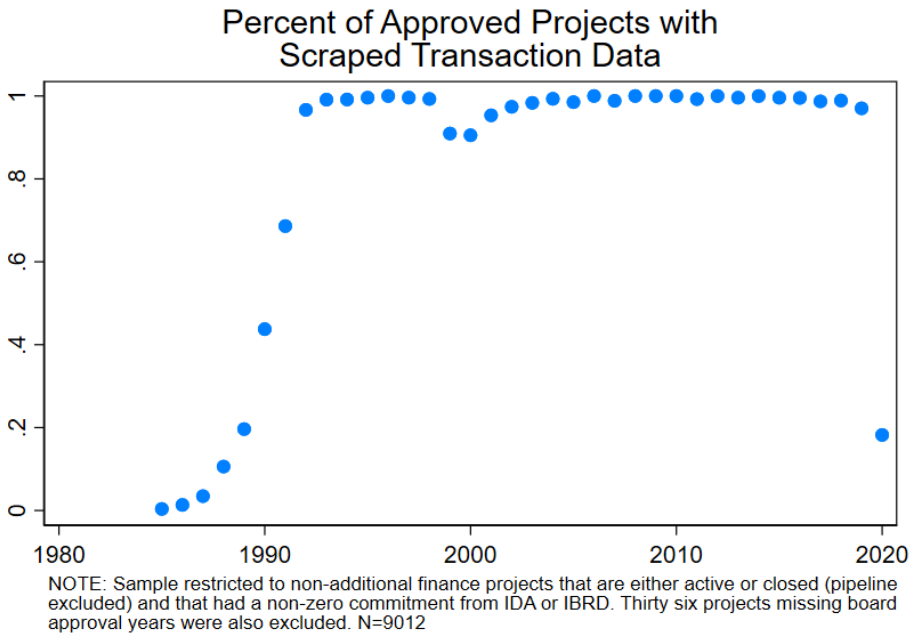
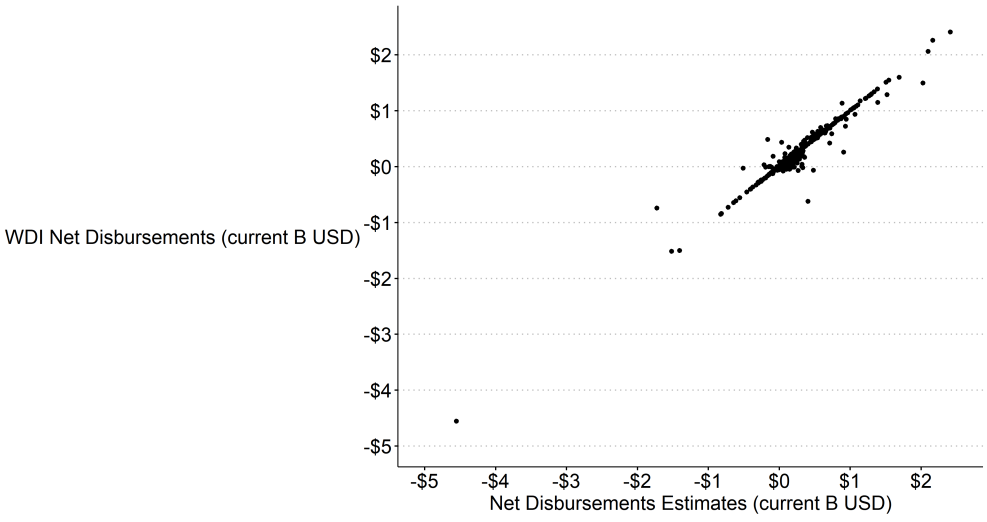


Figure A2. Annual Comparisons of Net Disbursements (Dataset B) with WDI



Note: Net disbursements are total disbursements less repayments on principal only.

Table A1. Comparisons of Estimates vs. Total Annual World Bank Financial Statement Figures ('98-'20)

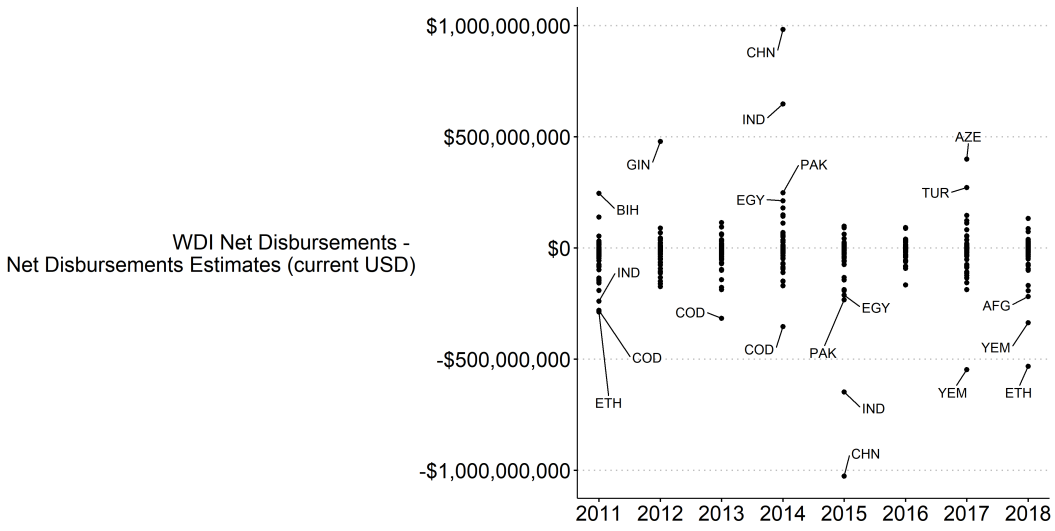
Fiscal Year	Part	Gross Commitments (m)	Gross Disbursements (m)	Net Disbursements (i.e. net flows) (m)	Gross Commitments (m) Estimate	Gross Disbursements (m) Estimate	Net Disbursements (i.e. net flows) (m) Estimate	Gross Commitment Error	Gross Disbursement Error	Net Disbursement Error
1998	IBRD	$21,086	$19,232	$9,086	$21,911	$19,598	$17,823	-3.9	-1.9	
1999	IBRD	$22,182	$18,100	$8,018	$22,761	$18,649	$16,186	-2.6	-3	
2000	IBRD	$10,919	$13,332	$2,934	$11,350	$13,815	$10,398	-3.9	-3.6	
2001	IBRD	$10,487	$11,784	$2,149	$11,416	$12,202	$8,089	-8.9	-3.5	
2002	IBRD	$11,452	$11,256	-$769	$11,940	$11,924	$4,951	-4.3	-5.9	
2003	IBRD	$11,231	$11,921	-$7,956	$11,519	$12,180	-$1,766	-2.6	-2.2	
2004	IBRD	$11,045	$10,109	-$8,370	$11,528	$10,499	-$2,975	-4.4	-3.9	
2005	IBRD	$13,611	$9,722	-$5,087	$14,380	$10,110	-$1,448	-5.6	-4	
2006	IBRD	$14,135	$11,883	-$1,741	$14,519	$12,283	$1,055	-2.7	-3.4	
2007	IBRD	$12,829	$11,055	-$6,193	$14,214	$11,612	-$3,573	-10.8	-5	
2008	IBRD	$13,468	$10,490	-$2,129	$14,171	$11,087	$277	-5.2	-5.7	
2009	IBRD	$32,911	$18,565	$8,345	$33,122	$19,449	$10,159	-0.6	-4.8	
2010	IBRD	$44,197	$28,855	$17,231	$44,903	$29,431	$18,509	-1.6	-2	
2011	IBRD	$26,737	$21,879	$7,994	$28,840	$22,660	$8,162	-7.9	-3.6	-2.1
2012	IBRD	$20,582	$19,777	$7,806	$22,741	$20,449	$7,501	-10.5	-3.4	3.9
2013	IBRD	$15,249	$15,830	$6,361	$15,634	$16,392	$6,341	-2.5	-3.5	0.3

Fiscal Year	Part	Gross Commitments (m)	Gross Disbursements (m)	Net Disbursements (i.e. net flows) (m)	Gross Commitments (m) Estimate	Gross Disbursements (m) Estimate	Net Disbursements (i.e. net flows) (m) Estimate	Gross Commitment Error	Gross Disbursement Error	Net Disbursement Error
2014	IBRD	$18,604	$18,761	$8,956	$19,906	$19,658	$9,270	-7	-4.8	-3.5
2015	IBRD	$23,528	$19,012	$9,999	$23,858	$19,713	$10,225	-1.4	-3.7	-2.3
2016	IBRD	$29,729	$22,532	$13,197	$31,056	$23,838	$13,521	-4.5	-5.8	-2.5
2017	IBRD	$22,611	$17,861	$8,731	$22,332	$18,137	$8,185	1.2	-1.5	6.2
2018	IBRD	$23,002	$17,389	$5,638	$23,055	$17,420	$4,980	-0.2	-0.2	11.7
2019	IBRD	$23,191	$20,182	$10,091	$23,079	$20,526	$9,520	0.5	-1.7	5.7
2020	IBRD	$27,976	$20,238	$10,622	$30,557	$21,781	$11,117	-9.2	-7.6	-4.7
1998	IDA	$7,508	$5,630	$4,948	$9,158	$5,699	$5,653	-22	-1.2	
1999	IDA	$1,623	$5,843	$5,029	$8,015	$6,357	$6,267	-393.8	-8.8	
2000	IDA	$4,358	$5,177	$4,257	$4,639	$5,888	$5,352	-6.5	-13.7	
2001	IDA	$6,764	$5,492	$4,495	$7,168	$5,986	$5,745	-6	-9	
2002	IDA	$8,068	$6,612	$5,549	$8,925	$7,326	$7,013	-10.6	-10.8	
2003	IDA	$7,282	$7,019	$5,651	$7,512	$7,794	$6,853	-3.2	-11	
2004	IDA	$9,035	$6,936	$5,538	$8,922	$7,659	$7,007	1.3	-10.4	
2005	IDA	$8,696	$8,950	$7,330	$9,347	$9,656	$8,852	-7.5	-7.9	
2006	IDA	$9,506	$8,910	$7,230	$9,334	$9,192	$8,254	1.8	-3.2	
2008	IDA	$11,235	$9,160	$6,978	$11,943	$9,517	$8,317	-6.3	-3.9	

Fiscal Year	Part	Gross Commitments (m)	Gross Disbursements (m)	Net Disbursements (i.e. net flows) (m)	Gross Commitments (m) Estimate	Gross Disbursements (m) Estimate	Net Disbursements (i.e. net flows) (m) Estimate	Gross Commitment Error	Gross Disbursement Error	Net Disbursement Error
2009	IDA	$14,041	$9,219	$7,010	$14,106	$9,450	$8,148	-0.5	-2.5	
2010	IDA	$14,550	$11,460	$9,111	$14,639	$12,312	$10,906	-0.6	-7.4	
2011	IDA	$16,269	$10,282	$7,781	$17,381	$10,568	$8,894	-6.8	-2.8	-14.3
2012	IDA	$14,753	$11,061	$7,037	$14,772	$11,176	$6,590	-0.1	-1	6.4
2013	IDA	$16,298	$11,228	$7,371	$14,998	$11,200	$6,306	8	0.3	14.4
2014	IDA	$22,239	$13,432	$9,878	$20,638	$13,132	$9,002	7.2	2.2	8.9
2015	IDA	$18,966	$12,905	$8,820	$17,193	$12,741	$8,366	9.3	1.3	5.1
2016	IDA	$16,171	$13,191	$8,806	$16,234	$12,570	$7,293	-0.4	4.7	17.2
2017	IDA	$19,513	$12,718	$8,154	$19,948	$12,194	$7,108	-2.2	4.1	12.8
2018	IDA	$24,010	$14,383	$9,290	$24,065	$13,933	$8,313	-0.2	3.1	10.5
2019	IDA	$21,932	$17,549	$12,221	$19,912	$16,987	$11,112	9.2	3.2	9.1
2020	IDA	$30,365	$21,179	$15,112	$30,325	$20,831	$13,969	0.1	1.6	7.6

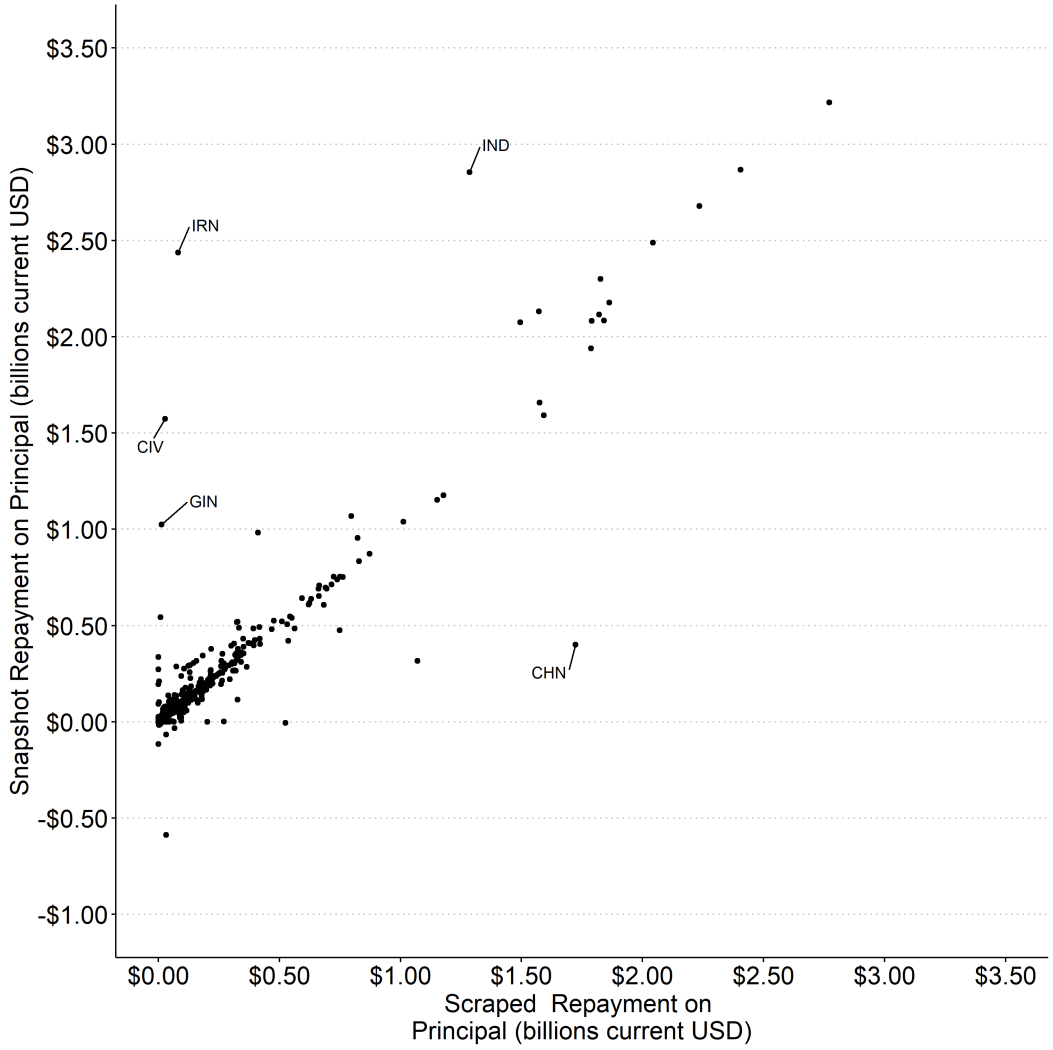
Note: Some countries are repaying old loans prior to 1992. So, we are unable to estimate net disbursements for year prior to the beginning of our Snapshot dataset (data set C). For years after 2011, we impute repayments on principal on a month-by-month basis.

Figure A3. Annual Comparisons of Net Disbursements (Dataset B) with WDI



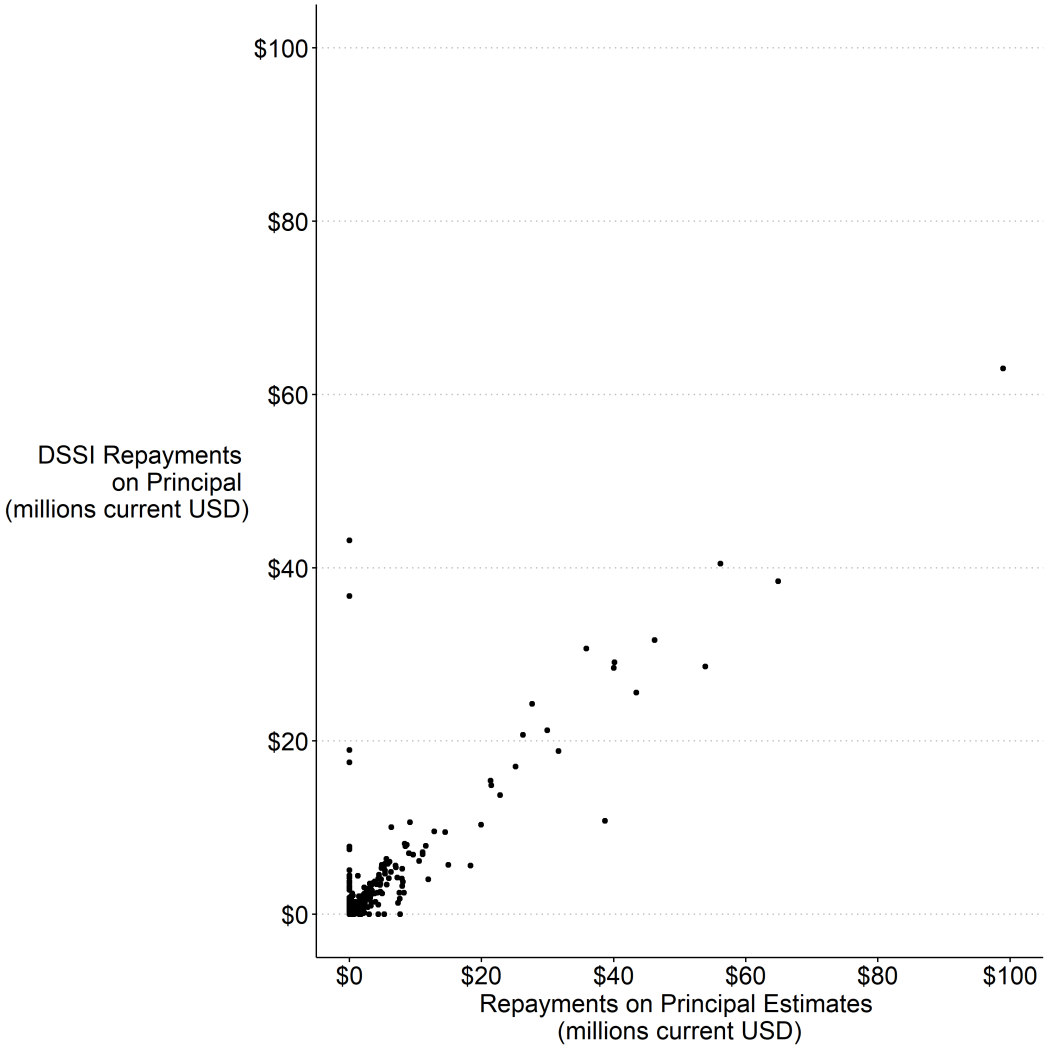
Note: Net disbursements are total disbursements less repayments on principal only.

Figure A4. Annual Comparisons of Repayments (Dataset B) with Snapshot Dataset (Dataset C) before appending



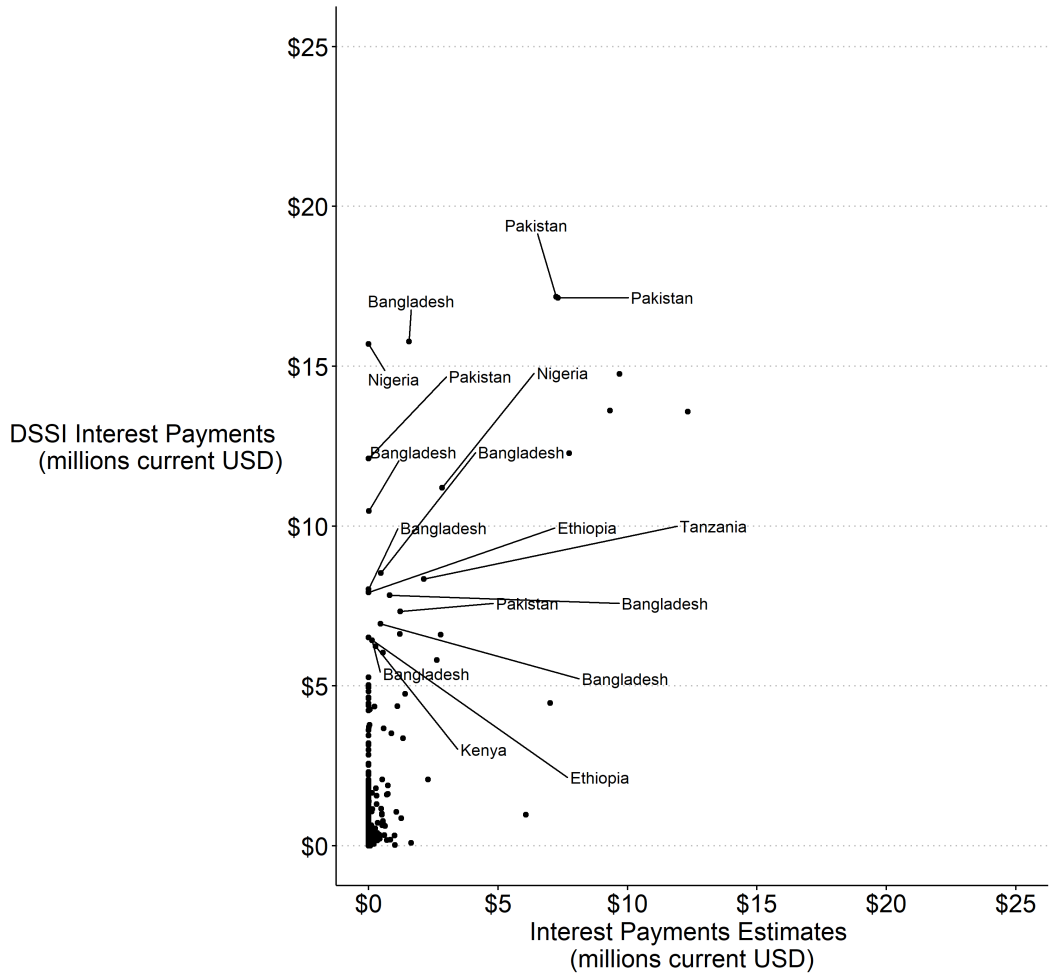
Note: Colombia received a large, unexplained, readjustment to their total repayments in 2015 within the World Bank Snapshot dataset. We do not plot that here.

Figure A5. Comparisons of Repayments on Principal with DSSI Released Data prior to adjustment



Note: Each point is a repayment on principal for a country within a month prior to August of 2020. Somalia had a large debt restructuring event in March of 2020, which causes a large difference between our estimates and the DSSI estimate. This point is not included here for scale.

Figure A6. Comparisons of Interest Repayments with DSSI Released Data



Note: Each point is an interest payment for a country within a month prior to August of 2020.