

# THE WORLD BANK GROUP'S RESPONSE TO THE COVID 19 (CORONAVIRUS) PANDEMIC

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## Abstract

As countries around the world work to contain the spread and impact of COVID-19, the World Bank Group has mounted the largest crisis response in its history to help developing countries strengthen their pandemic response. With the pandemic's rapid spread into developing countries, the World Bank Group is working hard to deliver support to clients. From April 2020 to March 2021, the Bank Group committed over \$200 billion, an unprecedented level of financial support, to public and private sector clients to fight the impacts of the pandemic. Our support is tailored to the health, economic, and social shocks that countries are facing. The Bank Group's support is helping developing countries save lives and detect, prevent, and respond to COVID-19. The financing is also helping address the health emergency, strengthen health systems, protect the poor and vulnerable, support businesses, create jobs and jump start a green, resilient, and inclusive recovery. In addition to ongoing support for health systems, our operations emphasize social protection, especially through cash transfers, as they'll as poverty alleviation and policy-based financing. The World Bank is also working to restructure, redeploy, and reallocate existing resources in projects it finances.

**Key words:** *policy-based financing, health, economic, and social shocks.*

## Introduction

Three factors distinguish the coronavirus (COVID-19) economic crisis from other crises: it has been exogenous, it has affected both firms and households, and it has hit most countries and sectors simultaneously. First, it was exogenous to economic policy in the sense that it did not arise because of unsustainable macroeconomic or financial imbalances, as is the case with many economic crises in the past.

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Second, the crisis has affected both supply and demand. Lockdowns, which prevented firms from operating and interrupted trade flows, created a sudden and deep supply shock. Household income also fell quickly in the face of lockdowns, constraining demand for goods and services. The two processes have been mutually reinforcing, creating a downward spiral. Finally, the COVID-19 economic crisis hit most countries and sectors of the economy simultaneously, if not equally. Together, these three factors make the COVID-19 economic crisis different from many other crises such as the 2008–09 global financial crisis.

Initial conditions, in terms of health and fiscal vulnerabilities, constrained the COVID-19 response in developing economies. The crisis has affected emerging markets and developing economies (EMDEs) more severely than advanced economies. Initial conditions—including fiscal space and health preparedness— are important in shaping the COVID-19 fiscal response across countries. In EMDEs, fiscal space (as measured by credit ratings, public debt, fiscal balances, or spreads) limited both the total fiscal response and the nonhealth fiscal response. EMDEs had smaller total responses because of limited fiscal space. Moreover, because they had weaker initial health infrastructure and preparedness than advanced economies, they had to spend a greater proportion of their overall responses on health. Nevertheless, many of the lessons for advanced economies may apply also to EMDEs and vice versa.

Macroeconomic and financial risks have remained high over the past year across the board, with some regions expecting risks to intensify further. Regional outlooks are expected to broadly deteriorate as all regions are grappling with the pandemic's impacts, though with differing emphasis. The depth of the recession, lockdowns, and increasing demands on public services have increased sociopolitical tensions in Latin America and the Caribbean and the Middle East and North Africa. East Asia and Pacific shows relatively favorable macroeconomic and financial conditions supported by significant fiscal stimulus packages and initial successful containment policies, although the region has experienced a resurgence of cases in the summer of 2021, which has led to lockdowns and activity restrictions. Domestic lending and access to working capital within EMDEs were heavily affected by COVID-19–induced financial market volatility in March 2020. Although financial market sentiments have partly improved because of supportive central bank policies, the risk for new bouts of volatility is elevated, affecting EMDEs with higher external financing needs and thin domestic markets.

The economic problems intertwined with the COVID-19 pandemic threaten the realization of World Bank strategic goals and the Sustainable Development Goals (SDGs). World Bank (2020a) estimates that between 88 million and 115 million people were pushed into extreme poverty in 2020 because of the pandemic, threatening its twin goals of poverty reduction and shared prosperity. Rising public debt resulting from the crisis likely threatens spending on the SDGs and potentially jeopardizes them all. The dramatic increase in poverty threatens SDG 1: end poverty in all its forms everywhere. Job losses and firm

closures threaten SDG 8: promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. management and staff from the regional vice presidencies and Multilateral Investment Guarantee Agency (MIGA) management are the main audience for this scientific paper.

This scientific paper will be developed in close coordination with a second, parallel IEG scientific paper focused on protecting lives and with an International Monetary Fund (IMF) scientific paper on its early response to the pandemic. IEG is conducting a second scientific paper that focuses on assessing the World Bank's early response to support governments' responses to the health, human capital, and social protection emergencies related to the COVID-19 crisis. The two IEG teams will collaborate closely, especially on country case studies, by jointly engaging with clients and stakeholders (for example, Senegal). This scientific paper will also coordinate findings and messages, to the extent possible, with the IMF's review of its early response to the COVID-19 pandemic at the country level (for example, Ecuador) by jointly engaging with clients and stakeholders in the area of macrofiscal response.

The scientific paper will add to previous Bank Group efforts to learn from crisis-related support efforts. These efforts include the synthesis report *Crisis Response and Resilience to Systemic Shocks: Lessons from IEG Scientific papers* (World Bank 2017) and the scientific papers that it cites, including *Scientific paper of the World Bank Group's Response to the Global Economic Crisis: Phase I* (World Bank 2010) and *Phase II* (World Bank 2012) and *The World Bank Group and the Global Food Crisis: An Scientific paper of the World Bank Group Response* (World Bank 2013). The scientific paper will also leverage evidence gathered through just-in-time notes and validations on trade finance, support to small and medium enterprises in times of crisis, and distressed assets management.

### **An unprecedented global effort**

The COVID-19 pandemic is a crisis unlike any they have seen in our lifetimes. It pushed 100 million people into extreme poverty in 2020. It has widened inequality, posing a risk that recovery could leave poor countries behind. And it comes on top of long-term challenges that make many countries fragile: unsustainable debt, climate change, conflict, and theyak governance. The World Bank Group has mounted the largest crisis response in its history to help over 100 low- and middle-income countries fight the health, economic, and social impacts of COVID-19. Our efforts focus in four critical areas: saving lives, protecting the poor and vulnerable, supporting business growth and job creation, and rebuilding in better ways. They

are committed to helping our clients emerge from the global crisis and move toward green, resilient, and inclusive recovery.

During the 15-month period from April 2020 through June 2021, the World Bank Group deployed over \$157 billion<sup>2</sup> to help governments and the private sector in developing countries. World Bank financing to governments includes:

- Commitments of \$53.3 billion from IDA, our fund for the poorest countries;
- Commitments of \$45.6 billion from IBRD, to middle- and low-income countries;

IFC and MIGA private sector financing includes:

- \$42.7 billion from IFC, to private companies and financial institutions;
- \$7.6 billion in gross issuance of MIGA guarantees;

World Bank Group support

World Bank Group commitments for the 12-month period in fiscal year 2021 totaled \$98.8 billion. Includes IBRD, IDA, IFC and Recipient-Executed Trust Fund commitments and MIGA gross issuance. IFC commitments include long-term commitments for IFC's own account and short-term finance commitments.

- ✓ MIDDLE EAST AND NORTH AFRICA - \$6.2 billion;
- ✓ EUROPE AND CENTRAL ASIA - \$10.9 billion;
- ✓ EAST ASIA AND PACIFIC - \$13.5 billion;
- ✓ LATIN AMERICA AND THE CARIBBEAN - \$17.5 billion;
- ✓ SUB-SAHARAN AFRICA - \$35.2 billion;
- ✓ SOUTH ASIA - \$15.6 billion.

### **Saving Lives**

The World Bank has financed projects to help more than 100 countries meet their health emergency needs. The focus includes testing, case tracking, and treatment; purchase of medical and laboratory supplies; and training of medical staff.

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<sup>2</sup> This total and figures that follow include short-term finance, mobilization, and recipient-executed trust funds

They are also redeploying funds from existing projects to support countries' response. In East Asia and the Pacific and in Latin America and the Caribbean, they have activated Catastrophe Deferred Drawdown Options that are designed to address disasters.

Their efforts include collaboration with a broad range of global partners, including the Coalition for Epidemic Preparedness Innovations, Gavi, the Global Fund, the IMF, UNICEF, the WHO, and the WTO. Vaccines. The Bank is supporting developing countries' access to vaccines, both through COVAX and directly from manufacturers. A \$20 billion financing envelope over two years is helping countries purchase vaccines and set up systems for deployment. As of August 2021, they have committed \$4.6 billion for 54 countries.

Working with partners, they have also helped 140 developing countries assess their readiness for safe distribution. They are also partnering with the African Union to help countries across Africa purchase and deploy vaccines for more than 400 million people.

IFC is making \$4 billion available to increase the capacity of developing countries to manufacture vaccines and access vital medical equipment. With bilateral partners, IFC is investing €600 million to enable South Africa's Aspen Pharmacare to produce the single-dose Johnson & Johnson vaccine. Health systems. World Bank investments and related policy support are helping countries strengthen health systems for the long term, including by building resilience to address future pandemics and to prevent disruptions to other essential health services.

Learning from Ebola outbreaks, they have expanded IDA financing for disease surveillance in Theyst and Central Africa. To enhance preparedness, the Bank is also supporting regional centers of excellence, such as the Africa Centers for Disease Control, the East Africa Public Health Laboratory Networking Project, and the Theyst African Health Organization.

### **Protecting the poor and vulnerable**

The impacts of COVID-19 have pushed an estimated 100 million more people into extreme poverty, reversing hard-won gains in development. Twice as many people now face food insecurity, particularly in countries that were already fragile or affected by conflict. Up to 1.6 billion students have been out of school. Women have been more likely to lose their jobs, while also facing more demand for caregiving and a higher risk of gender-based violence.

**Social protection.** Safety nets are critical when people lose incomes and livelihoods: yet before the pandemic, just 1 in 5 people in the poorest countries had access to this support. World Bank financing is helping countries scale up social protection to address the crisis and build resilience for the long term. In Ghana, the World Bank is supporting cash transfers for one-time payment to 350,000 households. In Pakistan, \$25 million will provide emergency transfers for up to 4 million people under the national safety net. In Somalia, a \$65 million IDA grant is helping the national cash transfer program provide assistance that lets families supplement their income and prioritize their children's health and education.

**Education.** We are helping countries return students to school, recover from learning losses, and rebuild systems to be more effective, resilient, and equitable. In India, a \$500 million project is investing in remote learning, reducing dropout rates, providing remedial instruction, and offering psychosocial support for teachers, students, and families. The effort will reach around 250 million school-age children and over 10 million teachers.

Food security. IDA's dedicated funding for crises is supporting early responses on food insecurity, both by scaling up emergency safety nets and providing support for livelihoods. In Yemen, support is being designed in collaboration with the Food and Agriculture Organization to reach 150,000 households in the most vulnerable areas. In Haiti, we mobilized emergency funding to help small farms purchase seeds, fertilizer, and other inputs to safeguard production for the next two growing seasons.

### **Supporting business growth and job creation**

The pandemic's impact on private enterprises has been severe. Across emerging markets, World Bank Group data shows nearly four in 10 smaller firms are in financial arrears or expect to be soon. Boosting the private sector is essential to contain the economic crisis and support recovery; in many countries, sustaining inclusive growth and job creation will be tied to reforms and economic transformation.

**Support to businesses.** In low- and middle-income countries, companies are facing acute financial difficulties amid the pandemic; many of them need help to stay in business and preserve jobs. IFC's \$8.4 billion Fast-Track COVID-19 Facility launched in March 2020 to provide liquidity to existing clients. By June 2021, \$5.8 billion was committed, nearly half of it for the poorest countries and fragile and conflict-affected states. Much of IFC's funding is going to micro, small, and medium enterprises, a big source of employment in developing countries, as well as to women entrepreneurs. MIGA's \$6.5 billion COVID-19 Response Program has helped investors and lenders mitigate the impact of the crisis in emerging markets

and developing economies. The World Bank is also assisting viable firms, strengthening insolvency regimes, and building financial sector resilience in Indonesia, Mexico, Paraguay, and Uruguay.

**The digital economy.** The pandemic makes clearer than ever that connectivity infrastructure is critical for economic and social development. But in countries where few have internet access, achieving universal, affordable, and high-quality connectivity requires massive investment. The Bank's Digital Economy for Africa initiative supports the African Union's Digital Transformation Strategy; it aims to connect every individual, business, and government in Africa by 2030. In the Kyrgyz Republic, we are helping link farms with markets using digital technology to track deliveries and product quality. This helps farmers strengthen livelihoods and raise incomes, while building resilience in value chains. In Jordan, a \$163 million project is connecting poor and vulnerable youth—both Jordanians and Syrian refugees—to digital opportunities by improving skills, creating jobs, and helping high-growth companies access finance.

#### **2.4 Strengthening policies, institutions, and investments**

With an emphasis on governance and institutions, we are helping countries prepare for a resilient recovery. Working closely with the IMF, we are helping countries manage public debt better, make key reforms in financial management, and identify opportunities for green growth and low-carbon development as their economies recover.

The Bank is helping Bangladesh expand its [electronic procurement](#) to all government procurement activities. To respond to the pandemic and any other future emergencies, the financing will enable key upgrades, including international bidding, direct contracting, framework agreement, electronic contract management and payment, procurement data analytics, and geo-tagging.

### **Rebuilding better**

As they look toward recovery, developing countries will continue to need macro-economic support, but also reforms that bolster growth prospects. The World Bank's knowledge products offer insights that can help lay the foundation for long-term recovery, through approaches that help countries build more resilient infrastructure, prepare for natural disasters, and adapt to a rapidly changing climate.

**Sustainable infrastructure.** Recovery from COVID-19 presents an opportunity for countries to build back better, meet their climate goals, and stimulate flagging economies with climate-smart infrastructure development. The Bank Group is helping governments take stock of projects, access funding, and tap private sector financing and expertise. In 11 African countries from Djibouti to Senegal, we will

invest more than \$5 billion over five years to help restore degraded landscapes, improve agricultural productivity, and develop climate-resilient infrastructure.

**Comprehensive support.** By strengthening policies and institutions based on transparent and sustainable debt and investments, we believe countries can return to growth while also making sure that it is green, resilient, and inclusive. In Jamaica, a \$150 million development policy loan is helping the government provide emergency financial assistance to vulnerable people, supporting businesses as they cope with the economic shock, and strengthening financial institutions for sustainable recovery and climate resilience.

## Conclusion

The World Bank Group is mounting an unprecedented response to the pandemic, drawing on our country depth and global breadth, a range of flexible financing mechanisms, deep multisector knowledge and expertise, and wide-reaching convening power. We seek to help countries navigate their way out of the crisis toward a green, resilient, and inclusive recovery. There is no path to sustainable, long-term growth without continuous progress in reducing poverty and inequality.

The World Bank is making [\\$20 billion available](#) to help developing countries finance the purchase and distribution of [COVID-19 vaccines](#). In addition, the Bank has [partnered with COVAX](#) on a new financing mechanism that will let COVAX make advance purchases – beyond the fully subsidized doses they are receiving from donors – to help speed up the vaccine supply.

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The World Bank Group's crisis response comprises three stages – [relief, restructuring, and resilient recovery](#).

IFC is deploying [\\$8 billion in fast-track financing](#), with the goal of sustaining businesses, preserving jobs, and helping the private sector contribute to an inclusive, sustainable, and resilient recovery. Much of this funding has helped micro, small, and medium businesses, which are a major source of job creation in developing countries, as well as women entrepreneurs.

MIGA has launched a [\\$6.5 billion facility to support private sector investors and lenders](#) in tackling the pandemic. It redirects MIGA's capacity toward the urgent purchase of medical equipment, working capital for small and medium enterprises, and support for governments' short-term funding needs.



The COVID-19 pandemic has unleashed unimaginable havoc across the world. What most likely started as a zoonotic infection – a disease transmitted from a wild animal to humans – has triggered a chain reaction that has shuttered economies, frozen world travel, intensified poverty and deepened discord. The pandemic has laid bare the failings and inadequacies of current policies, and highlighted the close links between people, the planet and prosperity. This crisis demonstrates the dependence of humanity on the planet, for health, food and unfettered supply chains. How the world responds to this tragedy will either amplify global threats or mitigate them, so countries need to choose wisely. This *Series* offers insights into innovative and state-of-the-art solutions that can guide countries to build more inclusive and sustainable economies that are resilient in the face of pandemics, climate change and other threats.

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[The Sustainable Development Series: Building A Balanced Future \(worldbank.org\)](#)

[How the World Bank Group is helping countries address COVID-19 \(coronavirus\)](#)

[The World Bank Group's Response to the COVID-19 Pandemic](#)