

The World Bank and the (Funny) Math of Delivery

Sometimes it's the simple things that are the most powerful. In the case of the World Bank, the big question is, how much of its aid is reaching the people who need it the most?

One way of looking at this is the new funding commitments the Bank makes through its various funding windows. This is what we usually hear about when the Bank announces and reports what it has done. So the top line story for the last five years (FY2014-18) would be the World Bank Group made new commitments to its clients of over \$310 billion, including over \$100 billion from IDA, the soft loan window supporting the poorest countries.

Those numbers may sound good, but do commitments alone matter? For aid to reach people, what is needed are *disbursements*. The story for disbursements is noticeably different.

In its main financial statements, the World Bank Group reports on commitments and disbursements from five different sources. From smallest to largest, they are: recipient-executed trust funds; Multilateral Investment Guarantee Agency (MIGA) issuances; and International Finance Corp. (IFC), International Development Association (IDA), and International Bank for Reconstruction and Development (IBRD) financings.

What do these show? Of the five, MIGA is outside our scope, since as an insurer, its long-term success depends on it not disbursing more than it collects in premiums. Of the four remaining, the most efficient source of support appears to be the recipient-executed trust funds, where disbursements over the five years FY 2014-18, at \$15.8 billion, averaged about 93% of commitments. Next is IFC, the WBG private sector lender, with disbursements (\$49.6 billion) averaging over 90% of IFC commitments during the period. Third is IBRD, the middle income country lender, with disbursements of \$95.6 billion, or 81% of commitments. And bringing up the rear is IDA, with disbursements of \$66.6 billion, or 66% of commitments.

For IBRD, it seems that 2+3=4. For IDA, it's 3+3=4. Can that be right?

This tells us that, for the Bank's poorest clients, over a third of approved, "committed" aid is not reaching them. And this is without considering how those disbursements are actually being used. In fact, a substantial chunk of those IDA loans and grants goes toward re-paying previous loans, to the tune of almost \$22 billion in FY2014-18. Thus, "net disbursements" in FY2014-18 stood at \$56 billion, compared to \$101 billion in commitments, a 44.5% gap.

We're not expecting a World Bank press release announcing that "only 5/9ths of the approved aid for our poorest clients is actually available to them for projects." But we do expect that the Bank should be seriously looking for answers as to why so much of IDA money is not able to be disbursed.

Looking at the data (see charts below), we know it's **not** the case that "IDA has been growing so fast, it just needs to catch up." IDA commitments stood at \$22.2 billion in FY14, fell over the next two years, then ramped back up to reach \$24 billion in FY18. But regardless,

disbursements didn't change much, and in two of four years, the change went in the opposite direction from commitments. It is true that in the two biggest commitment years, FY14 and FY18, the disbursement ratio was lowest, around 60%. So it seems that disbursement capacity for IDA has been static, regardless of commitments.

At IBRD, the story is somewhat similar. Commitments seem to be more variable than disbursements. With the exception of FY14, where disbursements exceeded commitments, the ratio has stayed in a fairly narrow band of 75-81%, and also has not improved over time.

Meanwhile, IFC has been consistently disbursing at a higher rate, even while it is growing. Recipient-executed trust funds have not grown over the past five years; is that a reason for their success in disbursing?

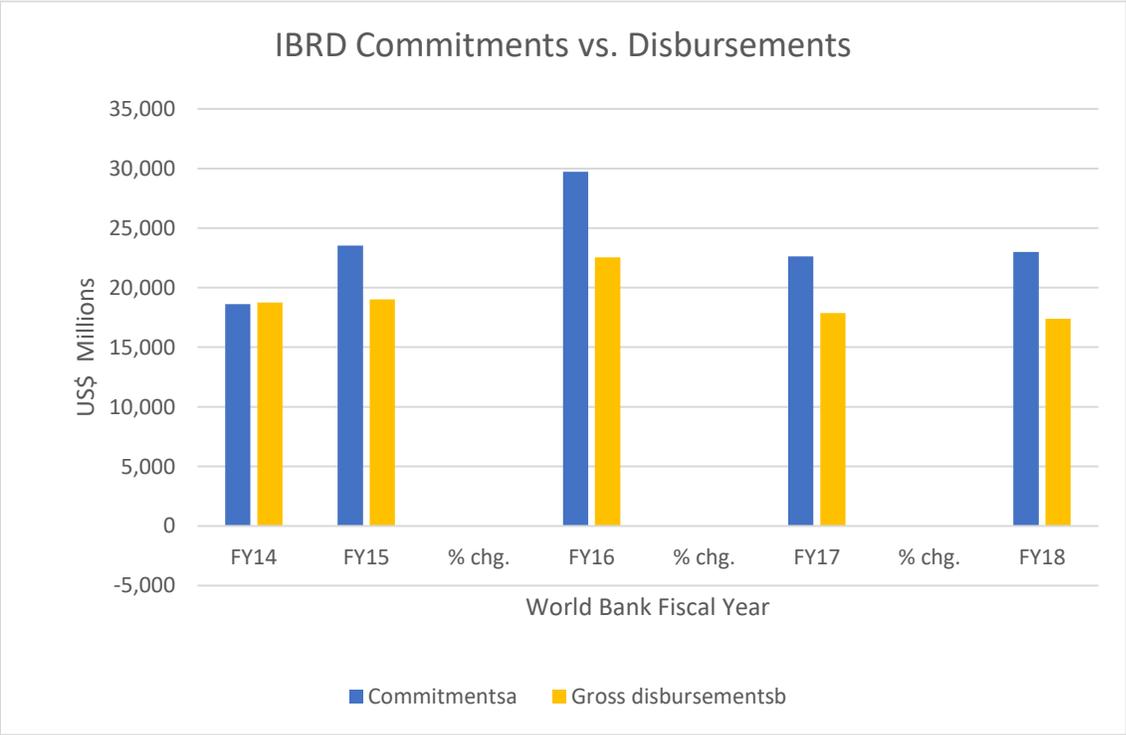
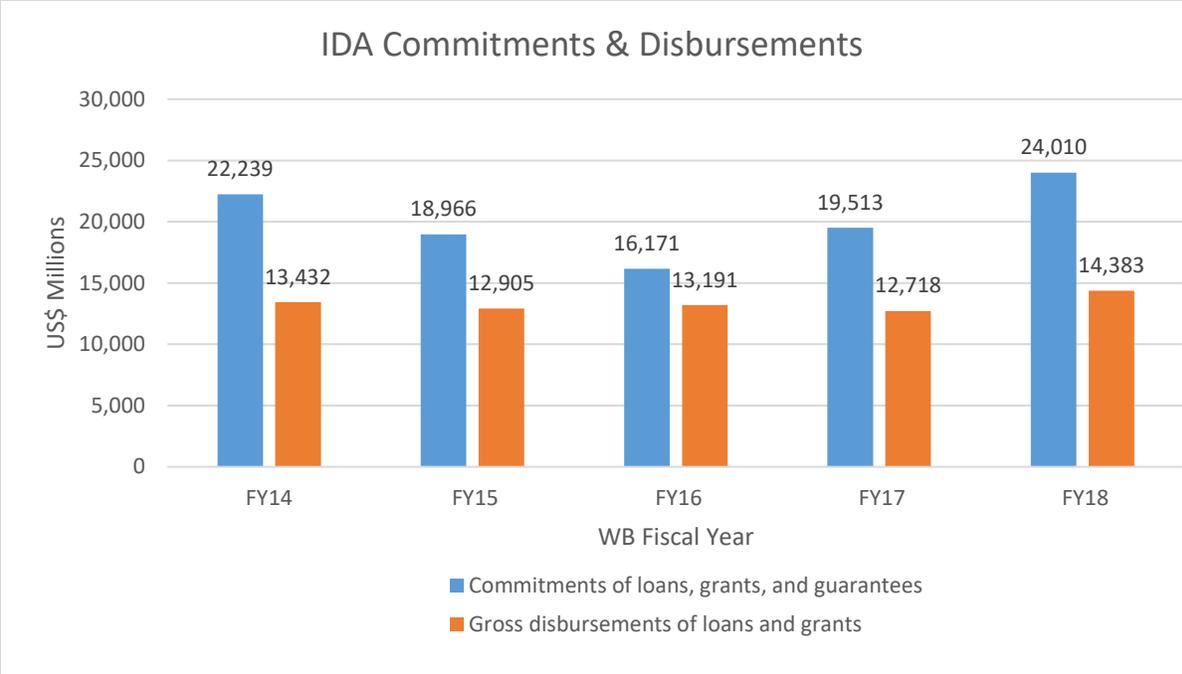
What accounts for the gap between commitments and disbursements?

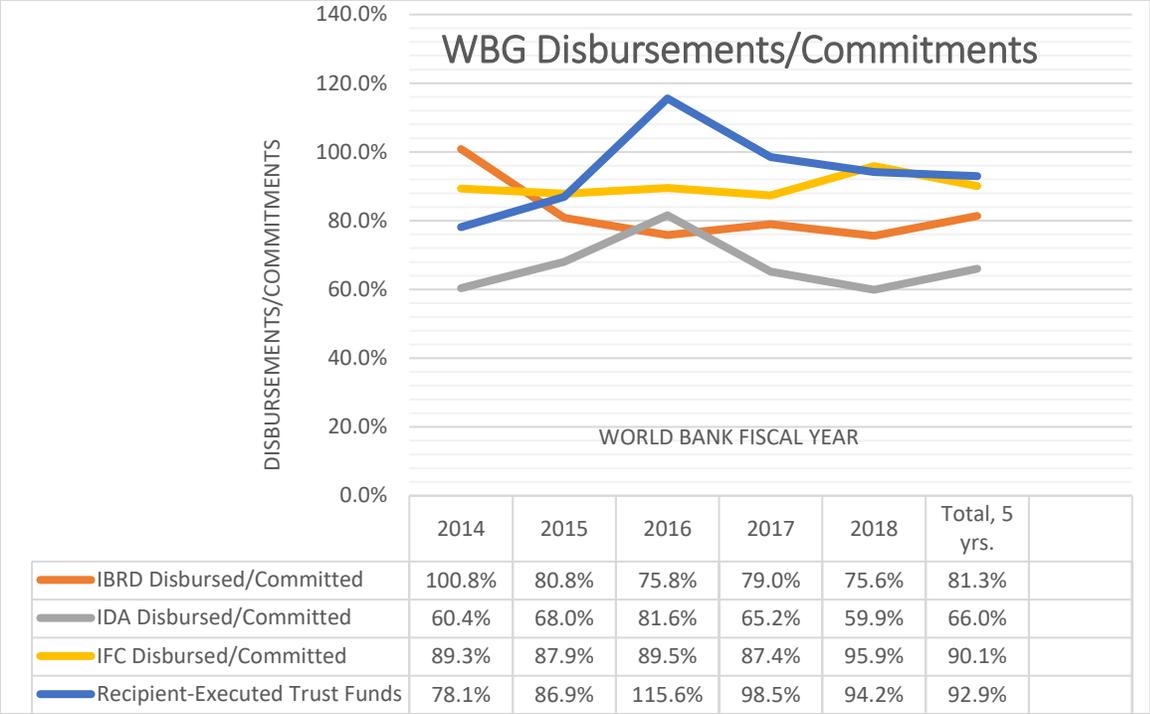
Fundamentally, we need to know what accounts for the gap between disbursements and commitments at IBRD/IDA -- and how can the Bank be more transparent about how much of the aid it commits is actually reaching people who need it?? To answer this, here are some areas that perhaps the Bank should investigate:

- What happened in FY14 that caused IBRD disbursements to exceed commitments?
- What makes recipient-executed trust funds and IFC able to disburse at higher rates than IBRD and IDA? If there is a chronic capacity constraint in IDA countries, what can the Bank do to address it? Should every IDA facility have a delivery capacity building component?
- What is the relation between different lending instruments and disbursement?ⁱ
- Should the Bank (and its peers) give top billing to its disbursement numbers, as a sign—both internally and externally—of a greater focus on implementation?
- Is it possible that higher disbursement rates *compromise* development impact—for some instruments, or some borrowers? If this is the case, should the Bank sometimes target or plan on a disbursement of less than 100%?

As these questions imply, there may well be valid reasons for differences in disbursement rates, e.g. tradeoffs between disbursement rates and project oversight. It seems like an important issue, with room for improvement, given the disparities noted above. Given also the extent to which the Bank focuses its reporting on commitments, the Bank needs to be more forthright in addressing it, since it clearly influences its development impact.

Jim Kim, a medical doctor, made the case as President of the Bank for the “science” of delivery. Will David Malpass, his successor and an investment banker, make the case for improving the math of delivery? The World Bank could sure use it.





ⁱ Looking at a summary breakdown among investment project, development policy, and program-for results financing for FY18 and three-fourths of FY19, it appears that the Bank is more effective at disbursing DPF than IPF, while P4R is highly variable. But the totals provided are quite divergent from the full financial statements; these need to be reconciled before firm conclusions can be drawn. See: <https://financesapp.worldbank.org/en/summaryinfo/ibrd/> and <https://financesapp.worldbank.org/en/summaryinfo/ida/>