Comparative Analysis of the International Development Banks’ Activities During COVID-19 and Beyond

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Abstract. The aim of the study is to carry out comparative analysis of the international development banks’ activities in the current situation and to develop forecasts regarding the directions of their further performance, as well as some recommendations. The paper considers and summarizes the approaches of a number of international development banks to participation in anti-crisis measures, connected with COVID-19. The stages in the provision of financial resources for the fight against the coronavirus crisis are highlighted. So, first of all, these financial institutions carried out measures such as rapid response and support programs in the fight against COVID-19 pandemic. Going forward, based on the initial anti-crisis measures, new assistance programs are needed to ensure economic growth and sustainable development. To expand their activities, international development banks have increased the issue of their bonds. Activities of the Eurasian Development Bank (EDB) in the fight against coronavirus, as well as difficulties and problems, including the need for additional capitalization are studied. The practical significance of the study is expressed in the possibility of using the experience of some international development banks such as the Inter-American Development Bank, the Asian Development Bank and others in the context of a pandemic to improve the activities of the EDB. The analysis also provides some information about debt instruments on the international capital markets under the conditions of COVID-19 pandemic.

Keywords: International development banks · World bank · Pandemic · Crisis · Debt · Bonds · Social responsible investments · Sustainable development

1 Introduction

International development banks play an important role in the system of institutional structures that affect the functioning of the world economy [1, p. 12]. The mission of these international financial organizations is that they are instruments of joint action in solving global issues. International development banks work to reduce poverty, achieve shared prosperity and foster sustainable economic growth.

International regional development banks were created in addition to such international financial institutions as the IMF and the organizations that make up the World
Bank group - the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA), International Centre for Settlement of Investment Disputes (ICSID). Many international regional development banks have been created and function like the IBRD.

Much attention is paid to the study of the problems of functioning of international development banks. In this area, the works of the following researchers were published: O. A. Grishina, E. A. Zvonova [1], V. V. Antropov [2], L. A. Badalov [3], G. A. Bunich, Y. A. Rovensky [4], R. Faure, A. Prizzon, A. Rogerson [5], R. M. Nelson [6], etc. At the same time, a number of issues related to the latest trends in the activities of international development banks remain poorly studied and are of scientific interest. So far, an aspect of the transformation of the activities of international development banks under the influence of the pandemic crisis in the world economy has not been sufficiently reflected in specialized publications. The purpose of this study is to analyze the activities of international development banks in the current situation, to develop forecasts regarding the directions of their performance and to formulate some recommendations. The findings can be useful for the participants of the financial markets (issuers, investors, financial authorities).

2 Methodology of Research

The methodological basis of the research are system approach, fundamental provisions of economic theory and the theory of international economic relations, methods of comparative analysis, expert assessments. Statistical data of international economic and financial organizations, as well as publications of foreign and domestic authors were used as sources of information.

3 Overview of the Situation in the Global Economy in 2020

As it was revealed by T. Antipova [7] coronavirus pandemic can be considered as Black Swan event for the world. Global economy is currently experiencing a combination of a severe health crisis, a deep recession in many countries and regions, and unprecedented social consequences for all countries. According to the World Bank’s calculations in April 2020, this year a pandemic and a partial shutdown of the economies of various countries will plunge 60 million people into extreme poverty, and as a result, the world’s population living on less than $1.90 a day will reach 700 million people, and the global poverty indicator will grow for the first time since 1998. The World Bank representatives emphasize that later these poverty indicators will turn out to be even higher [8]. The COVID-19 pandemic has negatively affected a significant number of sectors of the economy and threatened the existence of a large number of companies around the world.

The situation in many economies around the world is characterized by a significant decline in business activity. The most significant losses in the COVID-19 situation were incurred by service sector [9]. Deterioration is noted in the wholesale and retail
trade, the tourism industry and the restaurant business, sectors providing other services. Additional negative factors were the changes in labor markets caused by the pandemic, associated with an increase in underemployment and a decrease in income of the population, and a decrease in the inflow of remittances in some developing countries. As a result, domestic consumer demand declined; there is a “cooling” of credit activity and a general decline in the indicators of enterprises. A significant decrease in production is observed in industrial sectors focused on investment demand (mechanical engineering, production of electronic and electrical devices, etc.). In general, the following factors are negatively affecting the economy: weakening domestic and external demand, measures of social isolation and limited communication between states, uncertainty about the prospects for economic development, deteriorating business sentiment, as well as disruption of value chains.

Current situation with coronavirus infection and quarantine measures carried out by most countries of the world and the widespread significant reduction in economic activity is unprecedented. Accordingly, there is no experience in creating conditions for recovery from a shock of this magnitude. Both developed and developing countries urgently need significant countercyclical funding to sustain economic activity, especially jobs.

International development banks are one of the tools that can be useful in achieving the anti-crisis effect [10]. These institutions can provide significant financial resources, minimize economic downturn, support recovery and facilitate structural transformation. In general, development banks are called upon to overcome market “failures”, to finance structural transformations that lead to a more equitable and sustainable economy. They are most likely to operate in areas where the market is partially failing or lacking, such as financing small businesses, promoting innovation, building infrastructure. International development banks generally provide long-term financing for specific projects [2, 4]. Thus, international development banks face challenges in responding to the COVID-19 pandemic.

4 International Development Banks’ Activities in the Context of the Coronavirus Crisis

4.1 World Bank Group

The largest and the oldest multilateral development bank is the World Bank with its subdivisions [6]. First of all, the World Bank has launched the set of emergency support operations. Such projects focus on:

- preventing and limiting local transmission, through laboratory equipment, improved surveillance systems, and training of front-line responders;
- goods and services such as gloves, masks, and portable ventilators;
- building or expanding clinical care facilities, such as refurbishing intensive care units or inpatient facilities in hospitals and preparing quarantine facilities;
- building systems for real-time community-based disease surveillance and through proactive, evidence-based citizen engagement;
- strengthening collaboration for research and response to facilitate the development of vaccines, therapeutics and other measures [11].

The amount under a fact track facility is $14.5 billion: IFC is providing $8 billion financing, with close to 300 companies requesting support; MIGA is launching $6.5 billion facility to support private sector.

The funding from IFC is important to micro, small and medium-sized enterprises. The IFC response will: 1) go to client banking institutions, so they can continue to offer trade financing, working-capital support and medium-term financing to private companies impacted by the pandemic; 2) help existing clients in economic sectors directly affected by the pandemic-such as tourism and manufacturing—to continue to pay their bills and employees.

MIGA’s $6.5 billion facility redirects MIGA’s capacity toward the purchase of urgent medical equipment, providing working capital for small and medium enterprises and supporting governments’ short-term funding needs.

In February, 2020 the World Bank has announced that it is planning to provide up to $160 billion over the next 15 months to support measures that will help countries respond to immediate health consequences of the pandemic and bolster economic recovery, including over $50 billion of the IDA resources on grant and highly concessional terms [11].

According to the information from the World Bank, they provide four thematic pillars of their crisis response:

1) support to health interventions for saving lives threatened by the virus;
2) social response for protecting poor and vulnerable people;
3) economic response for saving livelihoods, preserving jobs and ensuring more sustainable business growth and job creation;
4) support for strengthening policies, institutions and investments for resilient, inclusive and sustainable recovery [12].

4.2 Regional Development Banks

The African Development Bank launched emergency assistance in March 2020 to support African countries. Among the most important steps are the following:

1) On March 27, 2020 the African Development Bank raised $3 billion from Fight COVID-19 social bonds with a bond maturity of 3 years and an interest rate of 0.75%, which was the largest social bond issue denominated in dollars ever issued on international capital markets. The proceeds from the 3-year bond issue will help mitigate the negative impact of the pandemic on Africa’s livelihoods and economy.
2) On April 2, 2020 the African Development Bank in a joint event with the World Health Organization (WHO), provided $2 million in emergency assistance to strengthen the capacity of member countries to prevent, test and manage COVID-19 cases.
3) On April 8, 2020 the African Development Bank announced a COVID-19 response program that will provide governments and the private sector with up to $10 billion
to fight the disease and mitigate the problems caused by the economic downturn and job losses [13].

As for the Inter-American Development Bank, it is also actively involved in coordinated efforts to combat the COVID-19 outbreak with member countries and other international institutions, and stands ready to help Latin America and the Caribbean cope with the challenges posed by the pandemic. In order to finance companies in the countries of the region affected by the COVID-19 pandemic, the bank issued several bond issues during 2020. In January 2020, 5-year global bonds worth $3 billion were issued; in March - 5-year Sustainable Development bonds worth $2 billion, in April - 3-year Sustainable Development bonds worth $4.25 billion; in June - 5-year global bonds worth $4 billion. The Bank announced up to $12 billion in various programs for countries requesting financial support for disease monitoring, testing and public health services. The Inter-American Development Bank can also work with countries that have unspent loan balances to reallocate resources to efforts to combat the pandemic. In addition, the Inter-American Development Bank is studying the economic impact of the pandemic in its member countries and is considering resource allocation alternatives to help member countries withstand the medium and long-term negative impacts of the COVID-19 pandemic. Similar to other development banks, the Inter-American Development Bank is collaborating with WHO as well as the Pan American Health Organization and will continue to coordinate with its member countries and other multilateral agencies to ensure an appropriate response to the pandemic [14].

The Asian Development Bank has planned $20 billion aid package for its developing member countries to combat the impact of the COVID-19 pandemic [15]. The main activities of the bank are as follows:

1) budgetary support to developing member countries;
2) providing grants for food aid and health programs such as personal protective equipment, test kits and laboratories;
3) securing trade and value chain finance, thus supporting economic growth;
4) implementation of programmes to support the payment of wages for low-paid workers, which helps small firms to continue their activities and prevent job losses;
5) implementation of programmes of social cash payments and other social protection measures aimed at the poor and vulnerable groups of the population and households;
6) conducting economic analysis to help business decision makers plan the economic recovery process more effectively;
7) coordination with international financial organizations, WHO and UN agencies, as well as organizations dealing with development issues, which contributes to ensuring efficiency of joint activities;
8) in addition, the bank remains committed to supporting member countries on their path to sustainable development through projects and programs that go beyond the fight against the COVID-19 pandemic.

The Asian Development Bank has a Rapid Response and Cost Support Program in the fight against the COVID-19 pandemic. For instance, within this Program, an
agreement between the Kyrgyz Republic and ADB was ratified (grant in the amount of $25 million and concessional loan of $25 million for a period of 24 years, including 8 years of grace period, with a rate of 1% per year during the grace period and 1.5% for each subsequent year).

The New Development Bank (NDB), established in 2014 by Brazil, Russia, India, China and South Africa to mobilize resources to finance infrastructure and sustainable development projects in the BRICS and other emerging economies, is also involved in measures to mitigate the impact of the COVID-19 outbreak in the BRICS countries. On June 16, 2020, the NBR placed its debut $1.5 billion bond issue on the international capital markets. The funds raised from the issue, as in similar cases with other international development banks, will be used to finance measures to combat COVID-19 and mitigate its negative consequences. By the end of July 2020, the NDB had already completed operations to provide funding for budgetary expenditures to four participating countries to combat COVID-19 and implement economic stimulus measures: China, India, South Africa and Brazil. The total amount of financial support from the NDB aimed at combating COVID-19 reached US $4 billion [16].

Nordic Investment Bank is also among the banks that have increased their bond issuance in 2020. This bank issued COVID-19 Response Bond to fund measures to prevent the social and economic impact of the coronavirus pandemic in the Nordic and Baltic countries. The funds will be directed to the healthcare sector. The total volume of COVID-19 Response Bond is 1 billion euros due in April 2023 [17].

An important sphere of work for international regional development banks is interaction with global financial institutions such as the IMF and the World Bank divisions. Actions by international financial institutions of various levels taken in terms of responding to COVID-19, include co-financing the upcoming 60 World Bank projects. As noted by D. Malpass, President of the World Bank Group, there has been a positive response to mutual calls from the World Bank Group and the IMF to temporarily suspend payments by poor countries to repay official bilateral debt [18]. The difficulty in the work of international regional development banks is due to the fact that an increase in allocated funds, along with a moratorium on debt repayment, will put the international financial institutions themselves in a difficult financial situation. The volatility of payments from middle-income borrowing countries can reduce aid to the poorest countries.

To sum up, since March 2020, international development banks have been providing funding to fight COVID-19. This was originally an emergency funding. It was organized as an operational, large-scale campaign around the world, since representatives of various development banks understood that the fight against COVID-19 must be waged everywhere [8]. Going forward, new support programs will be needed to help developing countries cope with the pandemic and re-focus on economic growth and sustainable development. Unfortunately, the pace of approaching the Sustainable Development Goals set in 2015 even in the pre-pandemic period was insufficient [19]. The COVID-19 crisis is likely to further impede sustainability challenges.
Under current conditions it can be recommended to pay attention to the opportunities that are provided by instruments of sustainable finance. Sustainable finance is defined by the IMF as the incorporation of environmental, social, and governance (ESG) principles into business decisions, economic development and investment strategies [20, p. 81]. Among sustainable finance instruments are the following:

- social bonds (bonds that raise funds for new and existing projects that create positive social outcomes);
- green bonds (specific bonds that are labeled green, with proceeds used for funding new and existing projects with environmental benefit);
- sustainability bonds (bonds with proceeds that are used to finance or refinance a combination of green and social project) [20, p. 86].

Good opportunities are provided by vaccine bonds that are used to fund vaccination programmes in the developing world. The first International Finance Facility for Immunisation was introduced in 2006 with participation of France, the UK and other European countries. Nowadays it’s time to rapidly accelerate the availability and predictability of funds for immunization with such instrument as vaccine bonds. Advantages of the social responsible investments for the investors are as follows: alignment with social principles, attractive risk-adjusted returns, portfolio diversification.

As part of the long-term measures of the plan for post-crisis economic recovery, an increase in investments in infrastructure is required. However, such projects often require significant financial resources from development banks. One of the ways to solve the problem of insufficient financial resources of a separate development bank is syndication.

5 The Eurasian Development Bank’s Activities Amid the Coronavirus Crisis

The Eurasian Development Bank (EDB) was founded in 2006 and is an international financial organization designed to promote the economic growth of the member states (the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Tajikistan, the Kyrgyz Republic, the Russian Federation), the expansion of economic ties between them and the development of integration [21].

In the context of the pandemic crisis, the EDB has developed a Program of Anti-Crisis Assistance to the member states. Taking into account the fact, that the situation in the respective countries differs, the support measures are also different: the revision of the loan payment schedules, introduction of a moratorium on interest payments, provision of short-term capital. For projects subject to currency risks, the EDB is considering the possibility of providing financing in the national currency. The bank plans to open targeted credit lines in the member countries using the Private-Public Partnership mechanism for the construction and modernization of medical institutions.
The EDB is working on the possibility of subsidizing the interest rate through government programs. Like other international financial institutions, the EDB needs additional liquidity. In this regard, the EDB plans to appeal to the central banks of the member states with a request to equate the issue of bonds denominated in national currencies with government securities. In addition, measures are being prepared that are not directly included in the special assistance programme, but also aimed at combating the coronavirus. For example, together with the Russian Export Center, the EDB is planning preferential lending for the supply of Russian-made products that are in demand to combat COVID-19.

The size and structure of the capital of banks, including development banks, are the main instrument for financing projects. The total paid-in capital of the EDB is $1.515 billion; other regional development banks are significantly ahead of the EDB in terms of capital. As it is noted by L.A. Badalov, with this amount of the EDB’s capital, it is difficult to expect significant results from this bank in the field of international cooperation and integration [3, p. 14]. In the current conditions, it is advisable to increase the EDB’s equity capital. There are opportunities for additional capitalization not in US dollars, but in the national currencies of the member countries. Another option for additional capitalization can be carried out with payment in gold [3, p. 15].

6 Conclusion

The revitalization of the work of international development banks is considered in the paper as a necessary condition for solving problems that have arisen in various sectors of the economy in the context of the coronavirus crisis. According to comparative analysis of the international development banks’ activities in the context of COVID-19, we came to the conclusion that the volume of financial resources from them, forwarded to fight with pandemic, varies significantly: from $14.5 billion as fast track facilities and $160 billion in the next 15 months from the World Bank to significantly smaller amounts from some newly founded regional development banks. The amounts depend on comparative advantages of the financial institutions (their own capital, ability to mobilize and leverage financing, credit ratings, overall reputation and experience). International development banks acted rather similarly under the conditions of COVID-19 pandemic. As short-term and emergency measures, international regional development banks have implemented measures such as rapid response and support programs in the fight against the COVID-19 pandemic. Going forward, based on the initial anti-crisis measures, new assistance programmes are needed to ensure economic growth and sustainable development. International development banks should prioritize their work and plan both short-term (emergency) and long-term activities [22]. Transformation of the activities of international development banks in time of COVID-19 and beyond is presented in Table 1.
In terms of bond issuance, international development banks play different roles, they can: 1) themselves act as issuers of obligations; 2) organize and help issue the bonds needed to raise funds for anti-crisis measures. Additionally to traditional, conventional bonds, it is advisable to use new types of obligations: sustainability bonds, green bonds, social bonds, vaccine bonds.

Due to the significant needs for financial resources international development banks will continue to increase the issue of their bonds. The level of demand for these obligations depends on the situation in the global financial market, the interest of investors in the strategies of the relevant international development banks in the field of sustainable development and support of the corporate sector in the fight against coronavirus. From the point of view of opportunity of attracting additional financial resources by borrowers, credit ratings assigned to them by international agencies play an important role.

It can be recommended for the international development banks to pay attention to the opportunities of ESG investments. As for necessary actions from the side of the policy makers, regulators should support the development of ESG instruments and corresponding markets by providing some incentives.

Measures taken by international development banks should be aimed at protecting the economies of member countries, rationally allocating financial resources, and effectively countering the negative consequences of the coronavirus crisis, both in the short and long term.

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| Table 1. Transformation of the International Development Banks’ Activities in Time of COVID-19 and Beyond |
|----------------------------------------------------------------------------------------------------------|
| **Period** | 1st stage: short-term, emergency measures | 2nd stage: medium- and long-term measures |
| **Directions of crediting and investing** | Preparing and limiting local transmission; building or expanding clinical care facilities, purchase of urgent medical equipment; supporting governments’ short-term funding needs; urgent social response for protecting poor and vulnerable people; support for small and medium enterprises | Resilient, inclusive and sustainable recovery; economic growth, sustainable development, digitalization |
| **Financial instruments and mechanisms** | Grants; credits (including credits with highly concessional terms); trade financing, working-capital support; temporary suspension of debt payments | Credits for long-term projects; sustainable finance (sustainability bonds, social bonds, green bonds, vaccine bonds); Private-Public Partnership; co-investment in project finance, syndication; restructuring of the debts |
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