WBG Roadmap Consultation

What are your views on the direction and ambition of the new mission statement?

The direction and ambition of the proposed provisional mission statement are grossly inadequate to address the global challenges the WBG aims to prioritize. The Evolution Roadmap fails to critically assess the WBG’s role in creating and perpetuating these challenges. The approach followed by the WBG so far and as envisioned in the new mission statement needs to be critically realigned to comply with its own and its shareholders’ human rights obligations.

The diagnosis on which this Evolution Roadmap is based covers fundamental factors that explain the losses in poverty reduction, shared prosperity and the impacts of shocks -climate change and pandemic related- in LICs and MICs. While many of the external factors resonate, this assessment patently overlooks the role played by the WBG in weakening rather than strengthening the capacity of developing countries to respond to these factors. The shocks summarized by the Evolution Roadmap illustrate the erosion of the capacity of the public sector and the fiscal space of developing countries. The economic policies and tools that the WBG has advanced, particularly IMF-backed austerity policies which have crippled governments’ ability to deliver economic, social and cultural rights alongside the World Bank’s promotion of privatization as a panacea, have greatly exacerbated this decline. The approach suggested in the Roadmap will magnify rather than redress this issue through the ‘Cascade Approach’ as a solution for financing climate action and development. The Roadmap fails to acknowledge the overwhelming evidence of the damage caused by the WBG’s aggressive promotion of austerity policies and widespread privatization of public services. It also fails to engage with the long record of failure of carbon markets to reduce emissions and the inherent fragility built into the ‘securitization for sustainability’ agenda. The WBG has also failed to implement the recommendations made to it by various UN human rights experts, including, amongst other things:

- the definition of poverty and failure to facilitate universal social protection;
- adoption of human rights policy;

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• support for reforms to international tax rules to stop illicit financial flows, combat tax avoidance and evasion, and increase the fiscal space of developing countries to raise revenues through progressive taxation;
• the failure to undertake human rights impact assessments of policy advice and loan conditions;
• elimination of loan conditions related to fiscal consolidation;
• promoting just and sustainable debt resolution, including through revisions to its debt sustainability framework to incorporate human rights and environmental sustainability, cancellation of unsustainable loans and an independent debt workout mechanism;
• explore making international debt relief schemes legally binding on all creditors, including commercial creditors;
• adopting strategies which advance a human-rights based and intersectional approach to gender equality; and
• reforming governance and decision-making structures.

This lack of accountability should be a matter of concern and deliberation by the Boards of all its institutions. It should also result in the WBG fundamentally rethinking its overall approach to its mission statement and evolution.

Do you agree with the enhancements to the operating model, and are there specific improvements you consider as priorities?

The Evolution Roadmap proposes two crucial enhancements to the WBG's operating model. First, transitioning the Cascade Approach towards a model that strengthens the public sector's capacity to mobilize resources to shape economic transformation, expand social protection and adapt to climate change. Second, the WBG should seize the opportunity to reform its governance to be credible and reflect developing countries' views and positions.

On the first point, both the Evolution Roadmap and the Development Committee's report to the WBG Governors advocate two priorities: private capital facilitation and domestic resource mobilization. Looking to private sector investment as a solution to gaps in development financing and to respond to global challenges is a furtherance of the WBG’s cascade approach advocated in the Forward Look document published in 2016. In the interest of achieving the twin goals, it is pertinent for the WBG to step back and evaluate this approach's effects in furthering vulnerabilities instead of correcting them. We stand with the CSO Joint Paper's critical analysis that shows how the Cascade Approach did not deliver the amount of capital mobilization it claims, and instead has precarized states' capabilities and rights enjoyment. The core of this model requires that official and public resources be utilized only where market solutions are not possible through sector reform. This policy focusing on market-based solutions fails to consider the consequent negative impact on developing states who, constrained in their roles as de-risking agents, cannot implement beneficial policy toolkits available to developed states. Further, it is now apparent that de-risking private capital is often likely to create an unacceptable balance-sheet risk for developing

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nations, as was seen in the case of Nigeria and Ghana, where public-private partnership energy projects backed by WBG became significant financial risks for the state.\(^8\)

In this assessment, the WBG needs to acknowledge that centering private investment as a developmental strategy fosters a series of policy rigidities that, more often than usual, are misaligned with the public interests or national priorities and even undermine the conditions for the states to formulate them.\(^9\) In that sense, their understanding of risk should be revised to consider climate and social factors and lead to adjusting conditionalities and roles in its distribution. In displaying their developmental programs, the states should be able to build on an approach that fairly redistributes rewards and losses between actors while pursuing public interest goals. To minimize private risk to secure financing, the states are usually compelled to trade off their ability to set these public interest goals, cultivate their institutional capacity and expand their fiscal space. Contrary to claims of private sector mobilization generating domestic resource mobilization, the opposite effect is often seen with states offering tax exemptions and relief to companies to ‘attract’ investment.\(^10\) As a critical first step, the WBG could promote fair and progressive global tax rules that increase governments’ revenues, channeling the value produced in their economies to the service of public goods.

Increased dependency on the private sector for finance inevitably also led to dependency beyond areas of fiscal and monetary dependency due to shrinking state budgets leading to austerity measures and forced privatization, ultimately undermining the state’s obligations to protect, respect and fulfil human rights. The compounding interactions of debt crisis, barriers to access concessional financing, and the implementation of the core tenets of the cascade approach have led to forced austerity.

Even if not mentioned in the Evolution Road Map, structural adjustment and austerity have been, in different versions, the core of the WBG’s policy toolkit on its one-country approach. IMF research has shown that these measures are ineffective for boosting long-term economic growth, development and sustainable debt-servicing - not to mention the acute impact on human rights protection channeled through shrinking fiscal spaces.\(^11\) CESR has repeatedly documented the role that austerity policies have played in undermining access to health, education, safe environments and non-discriminatory public services in various countries.\(^12\) This approach is entirely inconsistent with the WBG’s obligations to ensure that its policies respect human rights. The WBG should be held accountable for promoting policy responses that breach human rights obligations and threaten the most vulnerable members in society. It must cease such policies to evolve its role in helping resolve global challenges.

On the second point, the reports pride the WBG as being an ‘effective, leveraged and unfragmented platform’ due to the wide membership of 189 countries. However, the platform’s effectiveness must be measured against its participatory processes and inclusivity in decision-making. Calls for democratic governance reform to end the historic gentleman’s agreement (reserving the World Bank presidency and IMF’s managing director for the United

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States and Europe nationals, respectively) that have been ignored so far need to be reconsidered. The United Nations Secretary-General Policy Brief 65 laid out a key call, which builds on his 'Our Common Agenda' proposal on IFIs reform. In particular, it advocates for expanding the number of directors on the Executive Boards and requires double majorities in decision-making. This opens the possibility of redistribution of power to developing countries, advancing towards a more democratic and legitimate WB governance. Complementing this is the need to address the inequitable distribution of voting rights through quota distribution. Even with any ambitious goals of tackling poverty and inclusive development, the internal governance structure of WB member institutions remains prejudiced toward the global north, denying equitable-participation opportunities to the developing nations most affected by their development policies.

What do you expect by the 2023 Annual Meetings with regard to the WB Evolution Roadmap? What do you support the proposed next steps for WB Governance and the Bank Group's Executive Directors to advance the agenda?

The WB institutions have previously been called upon to include more explicit environmental and social safeguards to ensure project quality. Adequate protection can only be mandated when the WB undertakes an in-depth analysis of the societal impact of its lending policies, including ex-ante human rights and climate change impacts assessments. Although the WB talks extensively about sustainable development and eradicating poverty and inequality, it has failed to adopt a human rights framework despite repeated calls for it to do so.

Thus, the WB must start mainstreaming human rights, gender, race, and climate justice approaches in its operating model. In this regard, we reiterate the CSO Joint Paper’s recommendations to develop and fund a human rights policy at the WB, which includes the recognition of the Banks' responsibilities and the importance of human rights in achieving sustainable development goals, hybrid indicators linked to human rights obligations, mandatory human rights due diligence, and a decisive framing of projects goals in terms of rights-based realization.

Recognition of WBG’s responsibility towards and the importance of human rights must be supplemented with the integration of human rights in the indicators used by the WBG, which at the minimum, should include economic, social and cultural rights such as rights to food, education, health and education etc. The adoption of hybrid indicators that link financial trends and movements has the potential to provide insight into the sustainability of a debt burden from a human rights perspective\textsuperscript{19}. CESR has also developed tools to assess the relationship between debt-provoked austerity and the erosion of policies aimed at protecting human rights\textsuperscript{20}.

In addition, the WBG must take a structural and intersectional approach to gender, considering whether seemingly neutral policies have a disproportionate or disparate impact on women and others who face discrimination. For example, conditionalities that force austerity measures and deregulated market-based approaches on the public services provision can disproportionately impact the access of women dependent on such systems, particularly those related to protection against domestic violence and unpaid care work\textsuperscript{21}. CESR’s research has shown how structural adjustment ends up reducing public expenditure on a series of crucial goods and services for the protection of women’s rights\textsuperscript{22}. At the project level, the WBG should consistently assess the potential effects of implementation on deepening women’s vulnerability and dependency or preventing their rights from being realized. In the past, the application of superficial gender safeguards on the Bank’s lending policies has led to the problematic reproduction of these imbalances. By contrast, structural and intersectional analysis of the gendered impacts of policies entails addressing how policies might be exploitative for women subject to multiple vulnerabilities.

Secondly, the WBG has to robustly align its operating model to the climate standards of the Paris Agreement and even aspire to bolder objectives. For that, the Bank should present a detailed plan of convergence of its operations with the rationale and policy tools conceived in this treaty, so their unique convening role can help to streamline climate finance, policy and goals delivery\textsuperscript{23}. This plan must surpass the World Bank’s 2021-2025 Climate Change Action Plan ambitions. In that sense, explicitly adding a third mandate on producing global public goods to the twin goals would formalize a climate approach at the core of the Bank’s operations.

As a priority, the Bank should refine its categorization of finance for development with a climate action framing. In that sense, it should set bolder targets than the current 35% of its resources dedicated to climate-related interventions. Investments in education, health, infrastructure or productivity are not devoid of clear climate action synergies. On the contrary, mitigation, adaptation and compensation should be the drivers of any developmental program. Thus, the Bank must grasp the opportunity to review its approach so that its funding for climate action truly advances these goals. Therefore, we urge for a WBG’s push to expand concessional finance and enhance its emergency response protocol. Crucially, the Bank should assume an active role in grant-making for adaptation and loss and damage needs, incorporating and implementing proposals such as the Bridgetown

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\textsuperscript{20} Center for Economic and Social Rights. Decoding Injustice Hub. Link: https://www.cesr.org/hub/


Initiative call for mobilizing USD 100 billion in SDRs, as these are the pressing challenges that LICs and MICs face urgently\textsuperscript{24}.

A traditional debt-based approach to filling this financing gap risks prolonging developing countries' vulnerability, reinforcing debt-crisis cycles worsened by a climate crisis they have minimal responsibility for creating. Proactive and credible action for debt relief and write-offs is consistent with the principle of common but differentiated responsibilities. The WBG should also address the flaws of mechanisms such as the G20 Common Framework and explore the possibility of transitioning debt treatment to more democratic fora, such as the UNCTAD. Lastly, the WBG must promptly discontinue all financing for fossil fuels and misleading or false climate solutions\textsuperscript{25}.

**Do you have any other views you would like to share?**

Attention is drawn to the detrimental impact of the COVID-19 pandemic on economic growth and poverty reduction; however, it is essential to remember that even before the pandemic, a majority of the progress made in poverty reduction was a result of exceptional developments in China and its outsized contribution to the billion people "lifted" out of poverty between 1990 and 2015. Even though within-countries poverty outside China and India reduced at a slower pace in the years preceding the pandemic, this event has starkly shown the limitations of our current mainstream poverty metrics when shocks unleash.

This is the case using the metrics of the widely criticized international poverty line, the principal limitations of which have been acknowledged by World Bank officials, by a World Bank-appointed expert group, and even by the economist responsible for developing the modern international poverty line. In its initial draft of the Evolution Roadmap, questions were raised regarding the appropriateness of the definition of poverty for the challenges facing developing countries today. Although the issue was not considered in the Development Committee's report, it is our view that the current re-evaluation process provides an appropriate opportunity for the WBG to adopt a much-needed holistic approach to defining poverty. WBG's current international poverty line is an absolute line, constant in value, that does not heuristically reflect the complexity of the contextual living costs. Scholars have repeatedly argued for and proposed different measures of poverty, such as the "right-based poverty line" by David Woodward and Sanjay Reddy's context-specific approach, with a fixed "set of reference capabilities (freedoms to achieve specific beings and doings) that a person must be able to have to be non-poor"\textsuperscript{26}. There is an even greater need to integrate economic, social and cultural rights in the WBG's discussions of poverty, even outside poverty lines and measurability.