



US Coalition Calls for World Bank Reforms

Of the 25 poor countries probed in detail by the World Bank's Independent Evaluation Group for its 2006 Development Effectiveness review, more than half had the same or worsening rates of poverty over the past decade.



The 15th Replenishment of the World Bank's International Development Association (IDA-15) is a triennial opportunity to ensure that the World Bank moves towards its vision of a world free of poverty.



CENTER OF CONCERN

I. End Economic Policy Conditions



Economic policy conditions required by the World Bank/IDA have long had harmful impacts. In the past two years, the UK and Norwegian governments have developed policies limiting these types of conditions. Meanwhile, conditionality at the World Bank is evolving from direct conditions (policy requirements attached to loans and grants) to indirect forms (Country Policy Institutional Assessments, or CPIAs; Doing Business Indicators, or DBIs; etc.). The following sources of conditions – direct or indirect – should be eliminated:



- **Privatization of water and other essential services.** IDA policies have undermined access to and democratic decision-making in essential services by promoting privatization schemes that often raise access barriers for the poor.
- **Trade liberalization.** IDA's trade liberalization requirements frequently exacerbate balance of payment problems by promoting excessive imports relative to exports and opening up poor country markets without rich country reciprocity.
- **User fees on health care.** Through either commercialization or privatization of public services, user fees have returned to IDA health operations and its 2007 Health, Nutrition and Population Strategy.
- **Harmful investment climate reforms.** The "investment climate" reforms called for by CPIAs, DBIs, and grant and loan operations cripple the ability of governments to ensure that private sector investments support local control and ownership as well as social and environmental protections.
- **Labor "flexibility" policies.** IDA does not take its mandate to support core labor standards seriously. Its loan conditionalities and CPIAs promote anti-worker labor flexibility policies.



CHURCH WORLD SERVICE

ESSENTIAL ACTION



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II. Accountability for Development Effectiveness and Results

The World Bank's incentives are not aligned with its mission of poverty alleviation – and there is little accountability for achieving it. Donors must insist that the World Bank:

- **Develop independent monitoring and evaluation of results and impact.** There can be no understanding of the Bank's effectiveness and results, much less accountability and improvement, without independent and transparent evaluation of outcomes and impacts – followed by transparent monitoring of whether recommendations are implemented.
- **Change internal staff incentives and lending targets.** Lending targets at the World Bank first appeared under President Robert McNamara. Staff and the institution should be incentivized to alleviate poverty, not to lend money.
- **Institute the next generation of transparency reforms,** to meet the principles established by the Global Transparency Initiative.
- **Empower the Inspection Panel** to make recommendations, monitor corrective actions, and allow complainant feedback and post-disbursement inspections. The selection of Panel members must be open and transparent.
- **Require the informed consent of local affected communities prior to project approval.**
- **Reform the Department of Institutional Integrity (INT)** to establish transparent investigative procedures and protocols for releasing the findings of external investigations, comply with operational audits, and eliminate conflicts of interest.
- **Create credible systems of safeguards and accountability** for Country Systems and other growing, non-traditional segments of the Bank's portfolio.

III. Fight Energy Poverty and Climate Change

Twenty-five percent of the world's population still lacks basic access to electricity. These are the same people already disproportionately impacted by increasingly severe weather events, drought, flooding, and water and food scarcity attributed to climate change. With energy poverty and shifting climate patterns threatening the lives and livelihoods of many of the world's poor, the World Bank needs to:

- **Phase-out investment in fossil fuel projects.** As recommended by the Extractive Industries Review, the World Bank should stop support to coal and end oil aid. Every country can choose to develop its own natural resources. However, our development dollars should be used to fight energy poverty and help countries pursue clean energy pathways.
- **Shift the lending portfolio** to provide strategic assistance for the inevitable transition to renewable energy technologies and energy efficiency projects that are based on local availability and which support clean energy production and domestic consumption.
- **Ensure that avoided deforestation frameworks reduce poverty and greenhouse gas emissions.** Bank projects aimed at protecting forests should reflect lessons learned from the Forest Sector Strategy Implementation Update and include processes for obtaining the informed consent of affected communities. Avoided deforestation initiatives should be embedded in a system of verifiable national greenhouse gas accounting and establish parameters for monitoring and evaluating impacts on poverty and emissions reduction.
- **Calculate and mitigate greenhouse gas emissions.** Implement greenhouse gas accounting to determine emissions of all projects in which the Bank invests directly or administers investment funds. Overall emissions from Bank projects must be compatible with the international goal of reducing global emissions by at least 50-80% of 1990 levels by 2050.