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Reforming the World Bank: 3 ideas for an effective sustainable roadmap

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With financial needs on the rise globally and unfulfilled promises from international donors despite [increased overseas development assistance flows](#), the sense of urgency to reform the international financial architecture for sustainable development is globally shared, as well as overall objectives (radically larger financial flows to Southern countries, and more capacity to deal with global public goods), but ways to respond vary. 2023 will be the year of a series of conferences and summits on sustainable development and climate issues which represent key moments to move the agenda forward. Central to these calls for reforms are international finance institutions and multilateral development banks. Multiple plans are underway, including the World Bank's evolution roadmap, but more is needed to meet expectations on timely and

adequate delivery. This blogpost highlights three specific areas to develop.

[Halfway](#) to the Sustainable Development Goals (SDGs) and 2030 Agenda, 2023 appears to be a year of opportunities regarding very much needed reforms of the international financing system in order to better address the 21st century's development challenges. Multiple global calls and proposals for change have already been formulated. In September 2022, Mia Mottley, the Prime minister of Barbados, presented at the United Nations General Assembly the [Bridgetown Agenda](#) for the reform of the Global Financial Architecture and to break the deadlock on climate. In October 2022, US Secretary of the Treasury, Janet L. Yellen, called on shareholders of major multilateral banks (MDBs) to plan for reform and echoed the G20 discussions and recommendations issued from the [Review of MDBs Capital Adequacy Frameworks](#). And most recently, at the G20 in Bali, President Macron announced the organisation of a summit for “a new global financing pact” in Paris in June.

While some of these discussions have had so far a strong focus on the need for more financing (the [Bhattacharya, Songwe, Stern report](#) indicates a need to multiply by a factor 5 the interventions of international financial institutions (IFIs), to give an order of magnitude), directly translated into a substantial capital increase for the World Bank (and somehow shifting the responsibility for financial reform onto its shareholders), they leave aside the pressing question of how financial institutions could also use existing finances more efficiently (for example by implementing some of the [recommendations on MDBs' Capital Adequacy Frameworks](#) too cautious approach to risk), including to tackle climate-related issues.

More details needed to make the evolution roadmap an ambitious plan for the WB and other MDBs

The World Bank (WB) is the first of the major financial institutions for development to launch a reform process described in its [evolution roadmap document](#) and aimed at responding more efficiently to growing poverty reduction needs and better addressing climate change challenges. While the roadmap sets out the right starting points (looking at the evolution of the mission, operation and financing model of the bank), it still leaves us wanted on more concrete and detailed ways of delivering on an ambitious reform.

Three areas particularly stand out:

Balancing geographical priorities in the fight against poverty

As far as its mission is concerned, the Bank proposes a shift to « serve all clients » and include more middle income countries (MICs) in its countries of operation. The brief rationale provided is that focusing on these countries would help better addressing global challenges and could provide lessons to be applied to low income countries (LICs). According to the Bank, such a shift would require additional financing capacity, which would make sense in a perspective of using additional concessional resources in MICs in order not to diminish available funding for LICs.

Shareholders of the Bank would be justified in asking for more details on such a proposed shift. A new focus on MICs (especially if done by using already limited concessional resources) is at risk of further fuelling a “[great divergence](#)” at the expense of operations conducted in LICs where the needs are acute. MDBs have been identified as [relevant partners](#) by countries of operation, especially on the African continent. Yet, in 2020, [only 14.6%](#) of the WB loans went to Africa (against 23.6% in 2017). If the WB is serious on its poverty reduction focus and development impact, reassurances need to be provided so that MDBs can demonstrate they have a complete and updated grasp on the needs of these countries; and that they can, on that basis, provide substantial amounts of concessional finance

(grants included) to meet these needs. Financing these countries also remains essential to contribute to global agendas such as the SDGs. Moreover, a capital increase to do the same thing in more countries is unlikely to solve the issues at hand. In fact, the CAF review also provided suggestions to do better with existing finance, for example by reviewing the conservative approaches to risk and credit rating of most banks, which have not been addressed yet.

Turning the tide on climate-related and other thematic issues

The reform should also make the institution fit to respond to global climate emergency, both on facing the impacts of climate change and on decarbonising the global economy. To start with, the recent situation in Pakistan illustrates the need to develop a dual focus on access to finance to face extreme events in most vulnerable countries, and access to finance for green development in emerging markets. The WB's roadmap mentions a range of tools and mechanisms to be reconsidered. These are essential to identify where the Bank would add value on these issues but also demonstrate the need for an overarching political and financing strategy guiding these multiple initiatives. In 2020, a [study](#) already pointed out the Bank had created more than 100 climate-related trust funds since 1988 and the latest [OECD report on multilateralism](#) points an ever more complex and fragmented architecture. The issue might therefore not lie in the need for more ad-hoc institutions but rather on how existing ones can be reformed so as to address existing needs. In that sense, more references should be made to the outcomes of Climate COP27 (and specifically on the operationalisation of the loss and damage fund) and concrete options put forward in the Bridgetown agenda (for MDBs to essentially better target climate-vulnerable countries). Additionally, looking beyond climate, similar calls have been made at Biodiversity COP15 where questions on the [most adequate ways of financing](#) have been on the table too. One of the challenges now is for the Bank, and other MDBs, to articulate these various calls for action on related but sometimes competing topics, all encompassed under the concept of “global public goods” (which could also include global health and global food and nutrition security, for instance). The Bank can take this opportunity to further its efforts on aligning its operations with clearly identified development and climate goals. Some of the SDGs, or the integrative “[transformation pathways](#)” (which encompass multiple themes including on climate and biodiversity), can be used as guiding tools for action, helping a more sustainable development focus shift in existing finances to unlock some resources. Additionally, a collective agenda for action such as the [2030 Agenda and its SDGs can provide the holistic framework that is needed for MDBs](#) to more clearly determine investments with positive spillover effects between SDGs and adjust or stop those with negative contributions.

Fostering coordination within and outside the Bank

The Bank puts forward its ambition to “strengthen the One WB approach”, while developing “new regional approaches”, and also “broadening its country-based model”. These suggestions interestingly point to the need for the Bank to look for more coherence in its own institutional set up while also strengthening its impact at regional and country level. More information is however needed on how the Bank's plan for reform can be articulated with other already established institutions, such as regional MDBs and PDBs with strong local presence and/or thematic expertise. A whole-of-development bank approach would ensure reforms that build on each institution added value for greater complementarity.

No reaction of countries of operation has been made public yet but it would be interesting to hear more on ways in which the responses to these calls for reform (from the Bank but also other MDBs) can be better embedded in long-term national development and investment plans. There are a few concrete examples which we can learn lessons from (the [Just Energy Transition Plan in South Africa](#); or efforts to [design pathways](#) across countries to reach a carbon-neutral world by the second half of the century or National Biodiversity Finance Plans, to be developed in

parallel to the National Biodiversity strategies and action plans, to implement the Global Biodiversity Framework), enabling to shift from a project-based approach to a system-change approach.

Conclusion

These three areas outline the need for more details to make the World Bank roadmap operational as soon as possible. These efforts would however gain not to be done in isolation but instead in articulation with other ongoing reform processes planned throughout the year and which go beyond the Bank. There are high expectations on other MDBs to step up but also on various communities (from development, climate to finance) to be brought together and bring about both technical and political solutions. Finance is at the heart of these discussions, but these considerations should also go hand in hand with concrete actions which can start now on how to use more effectively existing finance to ultimately serve the needs of countries of operation in a sustainable manner. 2023 offers various milestones to ensure we are all collectively on track.

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