

Re: Submission to Consultation on World Bank Group's Evolution Process and Roadmap

Jubilee USA Network is an alliance of more than 75 US organizations and 750 faith communities working with 50 Jubilee global partners. Jubilee USA builds an economy that serves, protects and promotes the participation of the most vulnerable.

We appreciate the opportunity to submit these comments on the World Bank Group's Evolution Process and its Roadmap ("Evolution Process" or "the Roadmap").

The Evolution Roadmap comes at a moment of growing understanding about the need to make better use of multilateral development banks for financing development and the response to global challenges.

The pandemic shock reversed poverty reduction and human development progress globally. The Russia-Ukraine war, climate change and hunger are among the crises that the world faces and that hit developing countries worst, due to pre-existing vulnerabilities. Developing countries suffer these shocks amidst reduced fiscal space. The slowest 5-year growth in decades, high debts and rising interest rates combine to limit their capacity to respond and, especially, protect their most vulnerable.

Multilateral development banks (MDBs) like the World Bank have extraordinary potential to use turn capital contributions from shareholders into development finance interventions several-fold their volume. They have an unparalleled capacity to offer low-cost, long-term funds and play a particularly important role in times of crises, when they provide countercyclical and emergency funding.

In the Roadmap World Bank shareholders endorsed, they signaled their intention to evolve the institution across three dimensions: mission and vision, operations, and financing.

Mission and Vision

The Bank should remain anchored on the twin goals of ending extreme poverty and promoting shared prosperity, which remain pressing priorities and even more so after the reversals the pandemic crisis prompted.

The Roadmap's proposed work on revised indicators would be a good opportunity to evaluate changes that can better focus the Bank and enable measurement of progress on these goals. For poverty, we suggest the Bank should focus on the elimination of poverty, not just extreme poverty. Given the continuing rise in global inequality, and its inextricable relationship to poverty reduction, reexamining indicators on shared prosperity is also in order. The Palma ratio, as well as other alternative yardsticks, are practicable and more suitable to track progress in reducing inequality of wealth and income between the top and the bottom quintiles.

It is natural and desirable that the Bank's mission and vision adapt as our awareness of global challenges that threaten poverty and shared prosperity in each country change. At the same time, there is a risk that without sufficiently large expansion of finance – including concessional finance – addressing such interlinked challenges may come at the expense of equally or more critical country-level priorities to address poverty and inequality.

Therefore, the considerations on mission and vision can only receive a conclusive response in light of the financing envelope the Bank will ultimately achieve as the financing pillar of the Roadmap shapes up. In that regard, mission/vision and financing are highly interdependent and deserve to be considered as a whole.

Operations

We support the World Bank maintaining the country-based model as its core delivery model. New and evolved lending instruments should advance – or at least maintain – existing country-level, bottom-up processes for citizen participation and accountability.

The Roadmap suggest two cross-cutting priorities to enhancing the operational model: private capital facilitation and domestic resource mobilization.

We support the focus on domestic resource mobilization. Strengthening domestic revenue bases in countries is an essential pillar of sustained and resilient financing for development, and should include more support to clients for the identification, monitoring and combat of illicit financial flows.

On private capital facilitation, we have a more nuanced view. We agree that the immense financing needs of developing countries cannot be met by public finance alone, and the need to align private sector flows with sustainable development and climate goals. The World Bank can play a positive role in signaling and incentivizing such alignment and setting high social, environmental and governance standards in private sector operations.

There should be strong scrutiny and a presumption against any World Bank interventions that de-risk private finance so they do not lead to a socialization of risks and privatization of benefits or encourage private rent-seeking behaviors. In the Bank's partnership with the private sector, and that by clients, the guiding notion should not be de-risking, but risk-sharing. The private sector can be an agent of finance, innovation and entrepreneurship in delivering sustainable development outcomes, but these virtues are due precisely to its inherent capacity to take risks in a well-regulated environment.

World Bank Group support for the private sector, when not given in commercial terms, is a subsidy. As such, any decision to extend it should adhere to clearly established guidelines, consider unintended impacts on the market and alternative ways the resources for such subsidy could have been used. The intended development impacts of granting such subsidy should be clear from the outset and transparent to all stakeholders, and the Bank should set up mechanisms for monitoring and evaluation of their achievements and holding private actors accountable when they fail to deliver.

Financing

Given their efficient model to intermediate and leverage shareholder finance, the MDBs, and the World Bank in particular, represent the best hope of achieving the scale of hundreds of billions in annual and additional sustainable development support the world needs.

In that regard, we welcome the initial steps towards expanding World Bank financing and the further consideration of proposals that the G20-commissioned Independent Review of MDBs' Capital Adequacy Frameworks submitted last year.

In order to reach the desired volume, however, measures to better use existing capital will need the complement of shareholders' injections of capital.

With many borrower countries past their capacity to take on new lending, debt sustainability considerations should guide the Bank's deployment of financing modalities. To that purpose, we recommend:

- Expand concessional finance: A significant part of the expansion should be in the form of additional concessional finance. The Bank should review criteria to determine access to concessional finance, to ensure it addresses vulnerability and need in a more comprehensive way than the reductionist income-based approach that excludes many middle-income countries today. At the same time, expansions of access should not come at the expense of the resources available for countries currently eligible for concessional finance.

- Risk-sharing modalities in lending: We appreciate the recent announcement that the Bank plans to implement climate resilient debt clauses in its loans and encourage further consideration of countries, cases, and relief through state-contingent debt instruments. At the same time, the Bank can play an important role in fostering use of risk-sharing modalities through its own sourcing. The scale, know-how, technical skills and access to data place the institution in a unique position to issue state-contingent debt instruments where individual clients cannot, and to pass their benefits to clients. The Bank would be playing an important role in market-making.

- Strengthen debt sustainability and accountability safeguards: The Bank should spearhead adoption of responsible lending and borrowing principles, and provide support and incentives for use of disclosure and authorization frameworks for debt contracts.

- Expanded use of guarantees: Under certain conditions, guarantees could enable projects to move forward while limiting the debt in recipient countries' balance sheets. However, the Bank will need to advance solutions to demand- and supply-side constraints that currently limit their wider use.