

## **An impactful and accountable World Bank A proposal to reform the transparency of the World Bank and IFC in 2023**

A submission to the consultations on the WBG's Evolution Process

This paper outlines three reforms to transparency that should accompany any future reform package at the World Bank Group (WBG). Improving transparency in the areas set out below is fundamental to monitoring and measuring the success of the WBG generally, and the reforms specifically, to deliver impact, mobilise private capital, and ensure adequate transparency and accountability to communities. These proposals build on previous reforms within the WBG, including through IDA20. They are specific and implementable. They also complement the existing references to transparency within the March 30<sup>th</sup> Development Committee paper, which inadequately only focus on blended and concessional finance. Greater transparency is needed across all aspects of the WBG's operations.

To find the balance between ambitious and achievable, we engaged repeatedly with both the International Finance Corporation (IFC) and the World Bank, starting with our first draft in February 2023. We received feedback from management at both the IFC and the World Bank (on July 25, 2023). The IFC and the World Bank's positions are unambitious, essentially proposing a business-as-usual approach and suggesting that any evolution regarding impact, mobilisation, or accountability will only take place under previously agreed changes. This is counter to the entire evolution roadmap purpose. Thus, to meet the moment for change within the World Bank, it is evident that shareholders need to be responsible for ensuring more transparency in these critical areas. Without such action, the following seem inevitable:

1. It will continue to be impossible to determine the impact and mobilisation effects of WBG investments, and no evidence will be made available to determine whether the WBG is fulfilling its own accountability policy requirements vis-a-vis affected communities.
2. The WBG will continue to lag behind its peers with regards to transparency around its impact, mobilisation, and accountability mechanisms.

In conclusion, while it is likely that the WBG is about to become a bigger bank, we will never know if it has become a better bank.

### **Summary**

The worsening climate crisis, increased public indebtedness, the Russian invasion of Ukraine, and the Covid-19 pandemic have all contributed to stagnating progress in meeting the sustainable development goals (SDGs) and plateauing (or reversing) progress in reducing the number of people living in extreme poverty. Multilateral development banks (MDBs), and the WBG in particular, will play a vital role in overcoming these crises. However, there is broad recognition that MDBs are currently unable to respond at the necessary scale. Calls to optimise the capital adequacy frameworks of MDBs seek to maximise lending capabilities have been accompanied with renewed focus on the need for MDBs to increase private capital mobilisation.

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In January 2023 the WBG published [“Evolving the World Bank Group’s Mission, Operations, and Resources: A Roadmap”](#) (the Roadmap). The Roadmap is a response to requests from WBG shareholders at the 2022 Annual Meetings to outline reforms that will equip the WBG to address mounting challenges in global development. In the coming months the contents of the Roadmap will come under significant attention, with calls to more fundamentally shift the operating model of the WBG.

### **Embedding Transparency in WBG Reform**

While reform of the WBG is both necessary and timely, the success of any reform efforts can only be ensured if there is sufficient transparency within the WBG to monitor progress in key areas. Increases in the quantity of funding from the WBG must be matched with increases in the quality of funding.

The constituent institutions of the WBG currently perform relatively strongly in assessments of transparency. In [Publish What You Fund’s DFI Transparency Index](#), IFC was ranked as the most transparent non-sovereign operation while the World Bank (IBRD/IDA) was ranked as the fourth most transparent sovereign operation. However, there remain key aspects of each institutions’ transparency practices that require improvement.

To provide more specificity to the reforms, we propose three ambitious yet achievable goals to take effect under upcoming WBG reforms:

- 1. Publish project level impact/results data for IFC investments, specifically:**
  - a. baseline impact data/ex ante predictions using indicators drawn from the AIMM system’s Project Outcome Indicators and Market Outcome Indicators;
  - b. midline impact data against baseline indicators; and
  - c. endline impact data against baseline indicators (published at point of divestment or loan maturity)
- 2. Publish project level private capital mobilisation data for IFC investments, specifically:**
  - a. sources and amounts of co-financed funds; and
  - b. the nature of co-financed funds (e.g., equity, debt, mezzanine financing, senior debt)
- 3. Increase transparency of World Bank Accountability Mechanism (AM) and IFC Compliance Advisor Ombudsman (CAO)**
  - a. require WBG borrowers and investees to inform project-affected people about the availability of the AM and CAO (including sub-clients through Financial Intermediary (FI) investments that require project-level grievance mechanisms);<sup>1</sup>
  - b. provide assurance on an investment-by-investment basis that project-affected people have been informed about the availability of the AM and CAO

Publish What You Fund successfully advocated for the inclusion of first and second recommendations in IDA Private Sector Window investments made by IFC following the IDA 20 replenishment. Those changes are currently being implemented. While applying them to IFC’s entire portfolio is a larger undertaking, prior adoption for IDA PSW investments is indicative of their feasibility. Equally, progress made on FI transparency, as part of the 2020 reform package, overseen by the House Financial Services Committee, sets an important precedent for what is possible.

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<sup>1</sup> We recognise that changes to formal policies within the WBG take a significant amount of time. In light of this, requirements may be temporarily outlined through implementation guidelines that accompany existing policies, until such a time that policies are revised.

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## Rationale

1. While the World Bank (IDA/IBRD) disclose results for the majority of its projects, IFC does not publish impact/results data for the large majority of its investments. This makes it difficult to tell whether investments are delivering results in the manner expected. IFC developed the [Anticipated Impact Measurement and Monitoring \(AIMM\)](#) system that provides a framework for predicting ex-ante projections and measuring ex-post project outcomes and market outcomes. Additionally, IFC have developed a series of [sector frameworks](#) that outline appropriate indicators for tracking impact. Taken together, these provide the necessary tools for IFC to disclose disaggregated (project-level) results data.
2. The need to mobilise private capital to fund the SDGs and to close the climate financing gap is well established. Yet, IFC does not publish disaggregated mobilisation data, making it impossible to assess which investments, sectors, or instruments are most effective at mobilisation. Improving the publication of mobilisation data would allow WBG shareholders to effectively measure and hold IFC to account in increasing mobilisation rates. This is an achievable goal. Although current disclosure of disaggregate mobilisation data is low across MDBs and bilateral DFIs, some DFIs, including the US International Development Finance Corporation, are exploring ways to disclose this information.
3. The WBG has two independent accountability mechanisms (IAMs): the [World Bank Accountability Mechanism \(AM\)](#) and the [IFC/MIGA Compliance Advisor Ombudsman \(CAO\)](#). IAMs are important mechanisms that allow project-affected people to file complaints about the policy compliance of MDB investments or projects. However, neither the AM nor the CAO have a requirement that borrowers or investees inform project-affected people about the presence of the IAM. This limits the utility of each mechanism as there is no guarantee that project-affected people are aware that they may access it. [An External Review of IFC/MIGA E&S Accountability, including CAO's Role and Effectiveness](#) noted that “a first requirement for any accountability mechanism to work is that there is knowledge of its existence by different stakeholders” and recommended “IFC/MIGA should ensure that clients (including FI sub-projects) that are required to establish grievance mechanisms provide information to affected communities both about the client’s grievance mechanism and about CAO”.

The WBG currently lags behind other MDBs in terms of the disclosure of IAMs to project-affect people. The Inter-American Development Bank enshrined disclosure requirements in its [Environmental and Social Policy Framework](#); “The Borrower will inform the project-affected parties about the grievance process, including access to the IDB’s Independent Consultation and Investigation Mechanism, in the course of its community engagement activities”. Similarly, the African Development Bank’s (AfDB) [Updated Integrated Safeguards System](#) requires that borrowers inform project-affected people about “The process and means by which grievances can be raised and will be addressed, including information about the project grievance mechanism and the Bank’s Independent Recourse Mechanism.” AfDB extends this requirement to financial intermediaries and their sub-projects: “The FI will require the subprojects to disclose AfDB’s support to them, the existence of the project-level Grievance Redress Mechanism (GRM), the Bank’s Independent Recourse Mechanism (IRM) and ensure that this information is clearly visible, accessible and understandable to affected communities.”

If you have feedback or would like to discuss any of the above proposals please contact Paul James via [paul.james@publishwhatyoufund.org](mailto:paul.james@publishwhatyoufund.org).