

# BIGGER IS NOT ALWAYS BETTER

## WHY THE WORLD BANK MUST RETHINK ITS EVOLUTION

World Bank Group President Ajay Banga is supporting the G20's call for reforms towards "Bigger, Better, and Bolder" Multilateral Development Banks (MDBs). However, this means pursuing a private sector first approach which has had very limited success to date and has the potential to bring harm to affected communities.

Recourse calls on the WBG to rethink its approach because bigger does not necessarily mean better. The WBG reform process should not be about strengthening the ability to attract private-sector finance. Instead, it should be about ensuring MDBs are delivering on the urgent development and climate needs of the global south while guaranteeing protections and safeguards for affected communities. A "better Bank" entails deep and systemic reforms to the way MDBs operate, ensuring a focus on development, stronger accountability and transparency measures, stopping all forms of support for fossil fuels, supporting the shift to transformative and genuine renewable energy solutions, and addressing gender-based issues and demands in the energy transition.

See: *Big Bank Theory: Why MDBs need to rethink what it means to be "Bigger, Bolder and Better" development banks*

### ENSURE GRANTS AND CONCESSIONAL FINANCE IN IDA21, NOT MORE DEBT



World Bank President Ajay Banga is calling on donor governments to make the next International Development Association (IDA) replenishment the "largest of all time." IDA is the most progressive instrument of the World Bank Group because it provides grants-based and concessional loans that have favourable terms compared to traditional loans to poorest countries. The V20 group of nations are calling for IDA contributions to be tripled by 2030 to help them address climate change. IDA is also needed to support member countries that are in a liquidity crisis that has put them into debt or at high risk of debt distress.

1. Recourse calls upon wealthy nations to agree to an ambitious IDA21 replenishment to support low-income countries, which are in **desperate** need of finance to help them address the impacts of the COVID-19 crisis, the climate crisis and the increased vulnerability to conflict. The replenishment should also ensure no funding for fossil fuels.
2. Recourse calls upon IDA to close the Private Sector Window (PSW) and use the resources to fund essential development spending. The **\$2.5 billion** allocated to IDA20's PSW Private Sector Window (PSW) is using badly needed grants based finance to **prioritise profit-driven initiatives** over the needs of the poorest and most vulnerable populations. Over reliance on private sector solutions sidelines public services and infrastructure, which are crucial for equitable development and poverty reduction.

### MAKE THE WORLD BANK GROUP CORPORATE SCORECARD ACCOUNTABLE TO COMMUNITIES



The new **World Bank Corporate Scorecard** is billed as an important management tool to provide the bank with results on the numbers of people who have benefitted from its operations as well as be accountable for outcomes.

But Recourse asks, "accountable to whom?". The interpretation of accountability is towards the World Bank senior management and shareholders rather than towards the people living in poverty that it purports to reach with its programmes.

Recourse calls on the World Bank Group Corporate Scorecard to:

1. Put project-affected communities at the heart of its development agenda.
2. Focus on the quality of its finance as opposed to the quantity, and ensure that Bank projects do no harm to people or planet.
3. Reconsider the private sector-led development first approach that risks putting private sector profit over people's rights and welfare.
4. Ensure that debt sustainability is not achieved at the expense of wellbeing and sustainable development.

### A BETTER BANK MUST STOP FUNDING FOSSIL FUELS



The Joint MDB Paris Alignment Approach to align investments with the Paris agreement does not adequately address the climate crisis. It contains loopholes that allow the Bank to continue supporting fossil fuel projects and dangerous distractions such as CCUS, 'hydrogen ready' infrastructure and co-firing of power stations.

Analysis from Recourse shows that:

- [Loopholes](#) in the Joint MDB Paris Alignment approach are allowing funds to leak to coal power (including [captive coal power](#) for industrial use) and fossil gas projects via financial intermediaries. These loopholes should be closed urgently, with full and fair remedy provided for affected communities.
- [World Bank technical assistance](#) is flowing into fossil gas and particularly LNG expansion, which is leading countries into fossil fuel dependency. The World Bank Group should repurpose its technical assistance to support the sustainable and just renewable energy transition to meet communities' energy needs.
- The Multilateral Investment Guarantee Agency's guarantees are de-risking fossil fuel investments at the cost of worsening climate change while failing to protect the rights of affected communities. MIGA must rapidly phase out guarantees for fossil fuel investments and must ensure safeguards and protections for communities who eventually carry the burden of the environmental and social impacts of these investments.
- [Women living in communities near MDB-funded fossil gas projects](#) have experienced environmental and health problems. Instead of funding fossil gas, the WBG should support sustainable renewable energy projects that enable energy access for women and their communities.

## RENEWABLE ENERGY TRANSITION SHOULD BE PEOPLE-CENTRED, NOT PROFIT-DRIVEN



Last year the G20 called on its members to “triple the sustainable lending levels of the MDB system by 2030, reaching \$300 billion per year in own-account-non-concessional finance and \$90 billion per year in concessional finance” in support of the COP28 energy package of tripling renewable energy capacity and doubling energy efficiency rates by 2030. However, concerns remain about how these investments (despite being focused on renewable energy solutions) still risk repeating the mistakes of the fossil fuel past. When the main motivation is for investment, leverage or derisking for private profit the investment goes predominantly to large scale projects which are often damaging for local communities and the environment, with benefits going to large private companies very distant from the project location.

Recourse partners have documented concerns from WBG investments:

- Rewa Ultra Mega [Solar Power Project, India](#) taking land and making tribal families landless
- Loss of land rights, increased impacts on women and lack of community participation and [Taïba N’Diaye\\_large-scale wind energy project in Senegal](#)
- Significant environmental and gender impacts of [Geothermal in Indonesia](#)
- Environmental ‘sacrificial zones’, polluted water, and community concerns over [green hydrogen in Chile](#), which will export energy to the USA and Europe

What is needed is diverse, community based renewable schemes, energy efficiency or energy access that help to develop the local economy and provide decent jobs. Countries need upgraded grid infrastructure, energy storage or demand management that is needed for a 100% fossil fuel free power system. MDB reform with “bigger, bolder, and better” banking on renewable energy should be first and foremost accountable for their contribution to national energy transition, responding to local and national development and zero carbon targets, and not primarily towards expanding private profit.

**See:** [Lost in Transition: Analysis of the World Bank’s Renewable Energy Investments since Paris](#)

## EXTREME CAUTION AND DUE DILIGENCE FOR TRANSITION MINERAL MINING



As wealthier countries race to secure a supply of minerals, including aluminium, lithium, nickel, and copper, needed for the scaling-up deployment of renewable energy, batteries and electric vehicles it is imperative to avoid social and ecological destruction in the name of delivering climate action.

Therefore, [Recourse has coordinated a CSO letter](#) to the WBG President Ajay Banga recommending that the WBG take extreme caution when investing in transition minerals. As the demand for minerals rises, so does the requirement for greater due diligence for social and environmental protection. It is essential to uphold human rights, including Indigenous Peoples' rights, protect the environment and to treat communities at the centre of mineral projects as a critical stakeholder with a right to say no to damaging projects. We are proposing practical measures here to ensure that the WBG takes this forward. We recommend that the WBG:

1. Recognise the need to minimise mineral demand through the full mineral and technology life cycles.
2. Put national green industrial strategy and just transition at the centre of investments, rather than investing in export driven expansionism.
3. In consultation with civil society and Indigenous Peoples the WBG should commit to enhanced due diligence in mining practices.
4. The World Bank and IFC’s accountability, safeguarding and remedy systems need to be robustly applied to all mining of transition minerals, including through financial intermediaries.

**See:** [Tread Lightly: Why IFIs should put people and the environment at the centre of the transition mineral supply chain](#)

## A BETTER BANK MUST BE ACCOUNTABLE AND TRANSPARENT



Before it seeks to become a bigger bank, the World Bank Group must deal with the growing accountability deficit faced by communities affected by World Bank Group projects. Communities in the Philippines, impacted by coal plants built with IFC support (via its financial intermediary RCBC) are still [waiting for remedy](#) two years after the Compliance Advisor Ombudsman (CAO) agreed that the IFC had violated its own policies and [called on IFC to provide remedy](#). Yet the IFC's proposed remedy and responsible exit frameworks fall woefully short of ensuring communities achieve redress for harms suffered or that IFC exits investments in a responsible way.

Independent Accountability Mechanisms (IAMs) such as the IFC's CAO or World Bank's Inspection Panel play a crucial role in making remedy possible for affected communities. Yet in recent years, IAMs at numerous MDBs [have faced](#) interference from management, restrictions to their mandate and a loss of independence. Strong, genuinely independent IAMs must be at the heart of the World Bank's Evolution – without them, the Bank will never learn from past mistakes or investments gone wrong.

Transparency is another area where the Bank must do Better. There remains a significant deficit in the amount of information published about financial intermediary investments and the end subprojects that these investments support. For example, the [Africa50 Infrastructure Acceleration Fund I LP](#) is a high-risk financial intermediary project that aims to support sustainable infrastructure development, including in power and energy. IFC approved \$20m equity for the fund but has not disclosed a pipeline of projects that the fund intends to invest in.

The World Bank Group must:

1. Instruct the IFC to improve its frameworks for Remedy and Responsible Exit
2. Support the independence of IAMs and use upcoming reviews to improve how the WBG's own mechanisms are able to ensure accountability and remedy for affected communities.
3. Ensure the full, prior public disclosure of all energy projects funded by MDBs through financial intermediaries. MDBs should disclose the name, sector and location of these subprojects on their websites as well as clients' websites.

See:

- [Joint CSO Statement Calls on IFC and MIGA to Strengthen its New Approach to Remedial Action Policy](#)
- [2024 Update: Good Policy Paper: Guiding Practice from the Policies of Independent Accountability Mechanisms](#)

## GREENING IMF LENDING: ENSURING A SUCCESSFUL RESILIENCE AND SUSTAINABILITY TRUST INTERIM REVIEW



The IMF has been fast in rechanneling unused Special Drawing Rights from the 2021 issuance through the [Resilience and Sustainability Trust](#). Since its operationalisation in 2022, 18 agreements have been reached by staff to accompany IMF traditional financing with programs aiming at addressing long-term balance of payment challenges associated with climate change. This finance is specially timely given the debt crisis various Global South countries are facing. This is specially the case of Kenya and Senegal, which are covered in Recourse's recent report.

The IMF has a [longstanding reputation for having pushed forward fiscal consolidation and privatisation at the centre of its recommendations](#). This has been echoed at the 2023 Fiscal Monitor focused on climate, where the IMF states that given the lack of future increases in international public finance, countries will have to rely on carbon pricing and private finance for climate investments. This ignores the reality that most countries are already facing record high energy prices with populations that are still recovering from the COVID crisis and international private finance has disappeared given high interest rates.

The RST has been so far the avenue to put forward this approach in climate policy conditionalities. Senegal and Kenya have been asked to raise energy prices, attract private finance through innovative modalities, reform energy regulations and state owned enterprises. In the meanwhile, adaptation is underfunded and Kenya risks seeing more droughts which could endanger people's lives and Senegal is pushed into fossil fuel dependency of gas and oil projects that may not materialise in the near future.

Moreover, both countries are being called to drastically reduce their fiscal spending, by 5.7% of GDP in Kenya and 3.7% in Senegal in only two years. This disempowers countries from being able to fund green development pathways aligned with 1.5C, as the main objective is ensuring debt servicing.

We ask the IMF to:



Assess coherence between climate-related objectives of RST programs and attached UCT programs in the RST interim review.



Change the qualification criteria of the RST to allow for more access to rechannelled SDRs



Review of the IMF's Climate Change Strategy to come up with a more coherent approach to climate policy. The IMF needs a framework to ensure conditionalities and surveillance recommendations are aligned with 1.5C aligned pathways, ensuring the necessary fiscal space. RST shouldn't work isolatedly and ignoring IMF's traditional operations impact



Abide by UNFCCC and human rights frameworks

## OUR SIDE EVENTS AT THE CSPF WITH ALLIES

### WEDNESDAY, 17 APRIL 2024

14:00-15:30 | CSPF  
The Future of Special Drawing Rights as a Development Finance Tool: What's Next?  
IMF HQ2-03B-768B

14:00-15:30 | CSPF  
Biden Pauses LNG; COP28 Fossil Fuel Phase-Out Decision - Is World Bank Lagging on Fossil Fuels?  
WB I2-250

### THURSDAY, 18 APRIL 2024

15:00-16:30 | CSPF  
When Exits and Accountability Collide: What Happens When IFC Exits Projects Mid-Accountability Process?  
WB I2-220

17:00-18:30 | CSPF  
Fit for Purpose? Reviewing Green Conditionality in the IMF RST and the World Bank DPF  
IMF HQ2-03B-768B

### FRIDAY, 19 APRIL 2024

11:15-12:45 | CSPF  
Rebalancing Public Finance for Justice and Equity: African Perspectives on IDA21  
WB I2-220

## ABOUT RECOURSE

Recourse is an international civil society organisation, working for a world where people and planet are at the heart of development. We campaign to redirect international financial flows away from dirty, harmful investments, towards greener and more inclusive development, working with partners around the world to hold financial institutions accountable.

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