Fostering Impunity or Accountability?
Sweeping Changes at the World Bank-IDA

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Heinrich Boell Foundation-North America
January 2010

Terms and Acronyms

CIF	Climate Investment Funds
CPIA	Country Policy and Institutional Assessment (the Bank's scorecard for rating government performance, particularly as it relates to governance)
CRW	Crisis Response Window (of IDA)
DPO	Development Policy Operation (successor to "structural adjustment program")
GAP	Gender Action Plan
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation (private sector arm of the World Bank)
MTR	Mid-Term Review (of IDA)
NAPA	National Adaptation Program of Action
PPP	Public-Private Partnership
PRSC	Poverty Reduction Support Credit (a DPO for a low-income country)
UNFCCC	United Nations Framework Convention on Climate Change
World Bank	IBRD and IDA

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Summary
This paper describes: 1) the World Bank's financial response to the global economic crisis, particularly the fact that, from fiscal 2008 to fiscal 2009, disbursements to middle-income countries doubled, while *assistance to low-income countries remained flat*. Although low-income countries are innocent victims of multiple crises -- food, fuel, financial, and climate -- most of them cannot afford stimulus packages and risk losing another decade of development. Despite their growing debt burdens, the World Bank offers them more loans than grants.

2) how the World Bank is providing much higher levels of financing for many member countries while taking less responsibility for environmental and social outcomes. In launching its operations, the Bank is required to take responsibility for the impacts of operations by complying with its own environmental and social "safeguard" policies. However, the safeguards only apply to project investments, not to development policy operations (successors to structural adjustment programs).

The problem is that the Bank is ramping up financing for development policy operations to which environmental and social safeguard policies do not apply. Meanwhile, it is diminishing the level of project investments to which these policies do apply. The Bank also plans to revise and/or retire environmental and social safeguard policies that have been developed over decades.

3) how the International Development Association (IDA) is moving higher levels of assistance to needy countries relative to countries that are "good" performers, as defined by a World Bank scorecard. The shift of IDA resources to needy countries is being facilitated by the creation of a new "crisis response window" (CRW) and by new ways of calculating each country's level of indebtedness.

4) the findings of the IDA's recent Mid-Term Review (MTR) with regard to the institution's track record on its gender action plan (GAP) and climate change programs. There are significant problems with the GAP. For instance, it focuses on promoting policies that often disempower women (e.g., through deregulation of labor and private provision of services). Also, the GAP shows a strong preference for financing gender-related studies and assessments rather than operations in client countries, which could

(ideally) empower women. Regarding climate, the MTR found that the institution is making satisfactory progress toward financing adaptation and mitigation programs in low-income countries. However, the proliferation of well-endowed, World Bank-managed climate facilities undermines the funds of the UN Framework Convention on Climate Change (UNFCCC), which are more democratically managed.

The IBRD is seeking a general capital increase (GCI) and IDA is seeking funds for its 16th replenishment.[1] As governments and citizens' groups consider these requests, they should take the above issues into account.

Facts to Know

About the World Bank. The World Bank is comprised of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA. The former lends to middle-income and lower middle-income countries. The latter provides loans and grants to low-income countries.

The IBRD raises its money on international capital markets and, because its shareholders provide guarantees, the institution has an AAA rating. IDA is supported by donor contributions. Every three years, IDA is replenished or refunded and, during the replenishment process, donors establish the policy mandates for the institution.

About World Bank Operations. The World Bank has two primary types of operations: project investments and development policy operations (DPOs). Projects disburse over an extended timeframe in order to, for instance, build schools or hospitals or irrigate land. DPOs provide rapid disbursement of resources (usually into a country's national budget) to support sector- or country-wide policy changes. DPOs to low-income countries are called "Poverty Reduction Support Credits."

IDA Resource Allocation. IDA establishes a ceiling on how much financial support (loans and grants) each of its 79 member countries can receive. The ceiling depends on criteria such as a government's performance and its level of indebtedness. IDA's new crisis response window (CRW) has different criteria – that is, a country's level of need is a primary determinant of its loan/grant ceiling.

Operational Policies (OPs). The staff of the World Bank is required to implement all operations in accordance with the institutions Operational Policies. Ten of the policies are called "safeguard" policies; these define the social and environmental rules with which the institution must comply in the design and implementation of projects (not DPOs).

[1] The IBRD seeks to increase its $190 billion capital base to $250 billion through a combination of paid-in and callable capital; The IFC seeks to increase its $16 billion capital base by $1.8 billion to $2.4 billion. The African Development Bank seeks to triple its capital base to $100 billion; the Asian Development Bank seeks to triple its capital base of $55 billion to $165 billion; the Inter-American Development Bank seeks to triple its capital base by an increase of $180 billion.

If the Bank does not comply with its own OPs, two or more parties who are adversely affected due to this non-compliance can bring a claim to the Inspection Panel of the Bank.

I. The World Bank Group's Financial Response to the Global Economic Crisis: Commitments and Disbursements

IDA. As the impacts of the financial crisis intensified between fiscal 2008 and fiscal 2009, the World Bank failed to increase its disbursements to 79 low-income countries (through the International Development Association (IDA)). Disbursements remained flat at about $9 billion at a time when countries -- still reeling from food and fuel crises -- were hard hit by sharp declines in exports, remittances, tourism, and foreign direct investment.[2]

Historically, the IDA disbursement level of $9 billion per year is high. However, IDA should have had greater flexibility to increase disbursements in fiscal 2009. In fact, the volume of IDA resources expanded by 30% between its earlier funding cycle (2005-2008) to its current funding cycle (2008-2011).[3] Indeed, representatives from IDA's donors, particularly its largest donor, the U.K., were angry that IDA was not able to ramp up assistance to poor countries in fiscal year 2009.

The poorest countries, which did nothing to cause the crises -- in food, fuel, finance and climate -- have the least access to resources to spur their recovery. The lack of external aid is one reason that so few IDA countries (e.g., Bangladesh, Nigeria, Vietnam) were able to launch stimulus packages. It is unacceptable that poor countries which are the victims of irresponsible and reckless decision-making by Western financial titans should be forced to take out loans to stem their economic decline and the rise in poverty. They should receive grants.

As noted by the IDA MTR, if the Bank continues to subtract (or "net out") each IDA country's debt relief (through the Multilateral Debt Relief Initiative) from its allocation of assistance, many countries would receive zero IDA assistance in the coming years. The Bank's Board of Executive Directors will ensure that does not happen, but the situation highlights the precarious situation of so many low-income countries.

IBRD. The World Bank was nimbler in response to the crisis in a group of 63 middle-income countries (through its International Bank for Reconstruction and Development

[2] Commitments are made on an annual basis. A commitment can be disbursed quickly through a development policy loan or, for a project investment loan, over the course of 6-9 years. Therefore, disbursement levels are always much lower than commitment levels.

[3] The IDA-15 and African Development Fund-11 replenishment agreements (2009-2011) will provide funding levels nearly 90 percent higher than during the 2000-2002 period. In dollar terms, these two organizations have roughly $23 billion more in deployable funding than during the 2000-2002 period. See Benjamin Leo, "Will World Bank and IMF Lending Lead to HIPC IV? Debt Déjà-Vu All Over Again," Center for Global Development, November 2009.

(IBRD)). The Group of 20 urged the institution to lend up to $100 billion to middle-income countries over three years. The institution made a good start in this direction since, between fiscal years 2008 and 2009, disbursements almost doubled to $18.5 billion and its commitments nearly tripled from $13.5 billion to $32.9 billion.

IFC. Commitments by the World Bank's private sector arm, the International Finance Corporation, declined from $11.4 billion in fiscal 2008 to $10.5 billion in fiscal 2009, although its commitments to IDA countries increased by 25% to $4.4 billion. For fiscal 2009, the IFC mobilized $7.9 billion to launch major new initiatives of which it disbursed $580 million of the through October 2009.[4]

World Bank – Volume and Type of FY08 and FY09 Operations (billions US$) (Type of operation distinguishes between Development Policy Operations (DPO) and project investments)		
IBRD	Fiscal 2008	Fiscal 2009
Commitments	$13.5	$32.9
Disbursements	$10.5	18.5
DPO as % of FY-09 Disbursements	--	50%
Project Investments as % Of FY09 Disbursements	--	50%
IDA		
Commitments	$11.2	$14.0
Disbursements	9.1	9.2
DPO as % of FY09 Disbursements	--	25%
Project Investments as % Disbursements	--	75%
Total-World Bank		
Commitments	$24.7	$46.4
Disbursements	$18.3	27.6
DPOs as % Disbursements	--	42%
See: Independent Evaluation Group, The World Bank, "The World Bank Group's Response to the Global Crisis," 2009.		

[4] Following are the IFC's new initiatives as well as the three year (fiscal 2009-11) targets for assistance: the Global Trade Liquidity Program (GTLP) of up to $5 billion; The Bank Capital Fund of up to $5 billion; The Microfinance Enhancement Facility of $500 million; the Infrastructure Crisis Facility of 8 billion in debt and $2 billion in equity; and the Debt and Asset Recovery Facility with up to $4.5 billion.

II. Reform of World Bank Operations

Although the World Bank is engaged in the most fundamental reform of its policies and lending instruments in decades, there is little consultation with civil society about the process. The reforms will fundamentally alter the institution's relationship with its client governments and facilitate the flow of much higher levels of assistance with less "red tape" associated with environmental and social safeguards, among other things. As a result, the reforms put the institution in a better competitive position relative to new donors, including China, India, and Brazil.

A. What's Out? Projects. What's In? Development Policy Operations.

The World Bank has always distinguished between its two types of lending: project investments, on the one hand, and "development policy operations" (DPOs), on the other. DPOs were previously called "structural/sectoral adjustment programs."

Project investments (e.g., building schools or dams) are implemented over a number of years while development policy operations disburse money quickly, often in large amounts.[5]

The Bank has decided that the "blueprint" project instrument "was created for a different era…"[6] and that it is "being increasingly criticized inside and outside the Bank because of its inability to adapt to the varied needs of the Bank's clients and the inefficiency, rigidity, and insularity of the processes and requirements that apply to it.[7] Hence, it is diminishing the volume of project investments and expanding the volume of development policy operations.

According to the Bank, "Development policy operations provide untied, direct budget support to governments for policy and institutional reforms aimed at achieving a set of specific development results." [In low-income countries, development policy operations (DPOs) are called "Poverty Reduction Support Credits" (PRSCs)].[8]

The Bank makes financing for development policy operations available to a client government which (a) maintains an adequate **macroeconomic policy framework**, as

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[5] The Bank's Investment Lending Reform process will consolidate the current instruments, such as the following: Adaptable program loan (APL); emergency recovery loan (ERL); financial intermediary loan (FIL); learning and innovation loan (LIL); specific investment loan (SIL); sector investment and maintenance loan (SIM); and technical assistance loan (TAL).

[6] World Bank, "Moving Ahead on Investment Lending Reform," Risk Framework and Implementation Support," September 3, 2009: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/09/09/000333037_20090909235811/Rendered/PDF/502850BR0Box3410only10SecM200910442.pdf

[7] World Bank, "Investment Lending Reform, Concept Note," January 26, 2009.

[8] The Bank describes the distinction between types of loans and the reform of investment loans here: http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:20120732~menuPK:268725~pagePK:41367~piPK:51533~theSitePK:40941,00.html

determined by the Bank with inputs from IMF assessments; (b) shows satisfactory implementation of the **overall reform program**; and (c) complies with policy conditions agreed with the Bank.

The World Bank's crisis response depended heavily on large development policy operations, which represented about 40% of commitments[9] and disbursements in FY09.[10] Conversely, about 60% of the institution's investments finance projects.[11]

B. Diminishing Accountability

As governments and citizens groups consider the requests by the World Bank for financing, they should examine the following problematic aspects of these reforms:

1) **Transparency and Consultation**. When it comes to development policy operations, the Bank does not adequately disclose information to the public before Board approval or during implementation.

The implications are significant. For instance, according to the Bank Information Center, the Bank extended a $1.3 billion development policy loan to Brazil in November 2008 that has a range of conditions of which the public is unaware. Among other things, the conditions attached to this Sustainable Environmental Management (SEM) loan affect a range of critical issues, including the regulation of the Amazon Fund, the restructuring of Brazil's Public Forest Management Law; and the formulation of sub-sectoral social/environmental guidelines for key investment sectors such as energy, sugar cane - biofuels, cattle. [12]

2) **Safeguards.** The World Bank's ten environmental and social safeguard policies do not apply to the expanding cohort of development policy operations. [13] The operational policy which does apply to development policy operations (Operational Policy 8.60[14]) lacks the scope, depth, and protections of the safeguard policies.

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[9] See World Bank, "Development Policy Loan Retrospective," 2009.

[10] DPLs represented 50% of IBRD Disbursements and approximately 25% of IDA disbursements in FY09.

[11] The high proportion of DPLs would violate the Bank's Articles of Agreement which stipulate that the institution should provide financing for projects, unless there are exceptional circumstances. However, in the mid-1990s, the Bank's legal counsel (Shihata) determined that structural adjustment and other policy-based lending would be redefined as "project" lending. This is a convenient legal fiction because the authors of the Articles never envisioned the Bank undertaking policy-based lending (now called Development Policy Operations/Poverty Reduction Support Credits).

[12] "DPLs Now Over Half of World Bank Lending: Gaping Hole in Transparency and Accountability, November 2009. http://www.bicusa.org/en/Article.11612.aspx

[13] There are 10 safeguard policies, comprising the Bank's policy on Environmental Assessment (EA) and policies on: Cultural Property; Disputed Areas; Forestry; Indigenous Peoples; International Waterways; Involuntary Resettlement; Natural Habitats; Pest Management; and Safety of Dams. They are described here:
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/0,,contentMDK:20124315~menuPK:559747~pagePK:148956~piPK:216618~theSitePK:244381,00.html

[14] See Operational Policy 8.60:
http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,conte

Moreover, there is a move within the Bank to change the safeguard policies. The Bank's paper "Moving Ahead on Investment Lending Reform: Risk Framework and Implementation Support," (see footnote 5) states that various World Bank team have indicated the need for reform and simplification of the Bank's main procurement, safeguards, and financial management policies."

3) **Conditions.** Like structural adjustment programs before them, DPOs carry World Bank policy conditions. Presently, most World Bank conditions are called "Prior Actions," meaning that they must be implemented by a receiving government prior to the Bank's disbursement of financial assistance. See illustrative conditions, below.

Conditions requiring Cabinet or Legislative Action
Prior to Disbursement of Financing

Guatemala: Obtain Congressional approval of laws for two major infrastructure projects -- Anillo Metropolitano and Franja Tranversal del Norte. (Second Broad-Based Growth Development Policy Loan for $100 million, 2006-2007)
Nicaragua: Obtain approval of the National Assembly for modifications to the General Education Law that reduce its fiscal impact; and Achieve approval by the National Assembly of DR-CAFTA. (PRSC-2, 2006-07)
Peru: Sign Peru-US FTA and achieve ratification by the Peruvian Congress. (First Programmatic Fiscal Management and Competitiveness Development Policy Loan, 2005-07)
India (State of Andhra Pradesh): Improve the state's investment climate by amending the Agricultural Produce and Livestock Market Act to lift the state monopoly and bring about greater liberalization of agricultural wholesale markets. (Third Andhra Pradesh Economic Reform Loan Credit, 2006-08)
Cape Verde: Ensure that the draft of the National Procurement Code is approved by Council of Ministers and transmitted to Parliament (PRSC-3, 2007)
Uganda: At the Presidential Investor Roundtable, the government agrees to fast track key commercial legislation that will reduce the cost of doing business. There are *17 prioritized bills*. (PRSC-6, 2007-08)
Afghanistan: Ensure Cabinet adoption of a privatization policy for state-owned enterprises. (Third Programmatic Support Grant for Institution Building (PSIB-III), 2007-08)

4) **The Risk-based Approach**. The Bank will streamline lending by differentiating between the types of risks associated with each operation and expediting low-risk operations. This approach identifies 38 types of risks in four categories. Two of the 38 risks relate to the environmental and social implications of projects. The risk-based approach could significantly diminish the attention to environmental and social aspects of operations. This is because so many staff members still view the safeguards as transaction costs, rather than a core design feature of a good development project.

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When, in 2008, the World Bank's Independent Evaluation Group (IEG) published an evaluation on environmental sustainability at the World Bank Group, it concluded that the institution was doing a poor job of monitoring and evaluating the environmental impacts of the projects it supports. In particular, it noted that the Bank was paying insufficient attention to longer-term sustainable development.[15] The Bank's poor track record in environmental due diligence does not bode well for the future.

An additional concern relates to the fact that responsibility for many project risks is being shifted from the Bank to the recipient country. This would be fine if countries possessed the legal and regulatory framework and enforcement powers to comply with social and environmental safeguards, but most of them do not.

5) **The Future of the Inspection Panel**. At present, aggrieved parties bring a claim to the Inspection Panel of the World Bank based upon an allegation that, in designing and implementing a project, the Bank has violated its own operational policies. However, if the nexus of responsibility for compliance rests with the borrowing country, it is unclear what purpose the Panel will serve.

6) **Evaluation.** The Bank has developed increasingly sophisticated tools to evaluate the impact of projects, but it lacks tools with which to evaluate the impact of development policy operations. This is ironic because the major shareholders of the World Bank are insisting that the institution develop a results-based culture. Nevertheless, in fiscal 2009 when over half of the Bank's disbursements were in the form of DPOs, the institution lacks means to discern the results of these operations other than by measuring country-wide indicators.

In general, all of these developments enable the World Bank to move more money with less responsibility for environmental and social aspects of its operations "on the ground."

As the IBRD and IDA are both seeking additional financial resources, governments and civil society should insist that the incidence of DPOs be reduced; that safeguard policies remain in place unless they are strengthened through consultative processes; that safeguard policies apply to DPOs; and that the Bank maintain responsibility for country compliance with safeguards, even as countries strengthen their will and capability to comply with national environmental and social laws and regulations.

[15] IEG, Environmental Sustainability – An Evaluation of World Bank Group Support, 2008 as quoted in "A Trajectory of Evaluation Reports: Taking Stock as the Independent Evaluation Group completes its *Evaluation of World Bank Group Safeguards and Sustainability Policies (1999-2008)"* by Korinna Horta, Ph.D. Program Director Global Governance & Accountability, Urgewald, January 2010.

III. Moving More Money to Low-Income Countries

A. Background

IDA countries are facing sharp declines in revenues and, without mobilizing additional resources, these countries will be unable to meet their core spending requirements much less make progress toward the Millennium Development Goals (MDGs), which include halving poverty, among other things.

With this grim situation in mind, the Bank and 52 of its member governments (45 donor and 7 borrowing governments) recently completed a mid-term review (MTR) of IDA's 15th replenishment (IDA-15). The MTR focused on IDA's crisis response and its performance relating to gender and climate, among other things.

Although IDA responded to the crisis by shifting resources into the social sectors, the MTR did not examine the effectiveness of the institution's work in these sectors. Such an examination is called for since, in 2009, the Bank's evaluators concluded that *"Very few of the closed projects with pro-poor or equity objectives were able to demonstrate an improvement in HNP [health, nutrition and population] outcomes among the poor."*[16]

Learning lessons from Bank's past performance is important because in March 2010, negotiation of IDA's next, 16th, replenishment, for the years July 2011 to June 2014 begins. Donors should negotiate an IDA-16 agreement that will address increasing levels of global poverty and unemployment; curb climate change; and promote gender equality.

B. What Constrains IDA's Aid Flows?

It is somewhat surprising that IDA did not increase its disbursements between fiscal 2008 and fiscal 2009, since it established crisis facilities – presumably for that purpose:

- **The IDA Financial Crisis Fast Track Facility (FTF).** From May 2008 to October 2009, IDA offered "fast track" assistance in the amount of $1.5 billion for operations in 11 countries, primarily in Africa.
- **Vulnerability Financing Facility (VFF).** This facility streamlined crisis support to the poor and vulnerable under two main programs:
    - **The Global Food Crisis Response Program (GFRP).** The Board increased this program from $1.2 billion to $2 billion as of April 2009. Contributions come from the IBRD, IDA, and three externally-funded trust funds with resources from Australia, Russia, and the EU.
    - **The Rapid Social Response (RSR) Program** is projected to increase resources for social protection from $1.56 billion prior to the crisis (FY06-08) to $2.03 billion during FY09-11, with spending on social safety nets more than doubling over the same period from $0.62 billion to about $1.36 billion.

[16] Independent Evaluation Group, World Bank, "Improving Effectiveness and Outcomes for the Poor in Health, Nutrition and Population," Washington. D.C. 2009, p.29.

Need vs Performance: Standards for Allocating IDA Assistance. One reason that IDA could not move more money to crisis-striken countries is that many of them were not eligible for higher levels of assistance. Over IDA's history, there has been a tension in the process of allocating aid between the goals of rewarding countries that are "good" performers, on the one hand, and the goal of helping countries in need, on the other.

"Need" and "performance" are two very different metrics for allocation, since the countries that are needy are not usually "good" performers (as measured by the Bank's scorecard, the Country Performance and Institutional Assessment (CPIA)). With some important exceptions (e.g., fragile and conflict-ridden states), about seven times more money goes to the "best" performing countries vs the "worst" performing countries.

Another Constraining Factor: Debt Sustainability Analyses. The World Bank's Debt Sustainability Analysis (DSA) – its method of calculating the extent of each country's indebtedness -- has restricted the flow of aid. This is because a country's level of indebtedness, in combination with other factors, is used to set a ceiling for borrowing. Now, the World Bank is changing the methodology of the DSA to enable country's to borrow more. For instance, the DSA will now take remittances into account and exclude from the analysis the debts of certain state-owned enterprises. In addition, for the first time, the views and opinions of the officials in borrowing countries will be taken into account!

C. The new Crisis Response Window (CRW)[17]

Noting the fact that low-income countries are increasingly crisis-stricken, the Group of 20 (G-20) [18] and the Development Committee of the IMF and World Bank called for the Bank to establish a crisis response window for low-income countries. This is the first time that the G-20 has taken a major role in the governing IDA which has been the job of about 50 donors to the institution.

IDA's MTR echoed this recommendation and, on December 10, the World Bank's Board of Executive Directors approved an initial $1.3 billion CRW for the remainder of the IDA-15 period (January 2010-June 2011).

The CRW funds will be available to 56 non-oil exporting IDA-only countries out of 79 IDA countries using $1.3 billion of redeployed IDA contributions, plus new voluntary donor contributions. These resources are intended to meet an $11.4 billion shortfall required by these 56 countries to meet their core spending requirements.

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[17] IDA is also establishing a ***Regional Grant Facility.*** This facility will manage regional programs for which commitments have risen considerably—from $435 million in IDA-13 to over $1.8 billion in IDA14. During IDA15, seven new regional projects and two additional financing operations have been approved for $713 million.

[18] In September, at the G-20 Summit in Pittsburgh, heads of state called for "accelerated and additional concessional financial support to Low-Income Countries (LICs) to cushion the impact of the crisis on the poorest. . ." Furthermore, they asked "relevant ministers to explore the benefits of a new crisis support facility in IDA to protect LICs from future crises. . ."

IDA and the IFC are combining forces in order to: i) protect the most vulnerable from the fallout of the crisis; (ii) maintain long-term infrastructure investment programs; and (iii) sustain the potential for private sector-led economic growth and employment creation, particularly through SMEs and microfinance.

IV. Gender Action Plan (GAP)

In January 2007, the World Bank Group launched a Gender Action Plan (GAP) – *Gender Equality as Smart Economics* – aimed at strengthening gender mainstreaming, particularly in "economic" sectors, which the Bank defines as labor, land and agriculture, private sector development and infrastructure.

As demonstrated by the MTR document for IDA ["World Bank Group Gender Action Plan: An Implementation Status Update" (October 2009)], the Bank and key donors are not seriously committed to the GAP. The institution's gender staff is small and relatively isolated with expertise primarily in the social sectors. Importantly, application of the gender policy to Bank-financed operations is not mandatory; rather it is left to the discretion of Country Directors and Task Team leaders.

The MTR document highlights a range of problems with the implementation of the GAP:

Good news: Funding ambitions were great. When the GAP was launched, $61.4 million was pledged.

> **Bad news: As of July 2009, only $36.8 million had been delivered.**[19]

Good news: Increase in gender-related studies. With great ambition, the GAP launched 135 activities, including 89 gender-related studies, assessments and statistical efforts. .

> **Bad news: But gender analysis was excluded in some of the most important World Bank studies.** Indeed, the presence of gender analysis in key documents -- Country Economic Memorandums (CEM), Development Policy Reviews (DPR) and Public Expenditure Reviews (PER) – fell slightly from the relatively low FY07 level. Moreover, the Bank's flagship publication, the 2010 *World Development Report on Development and Climate Change* had only one box on the gender implications of climate change!
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> **More bad news: And gender-focused operations got short shrift.** Only about a third (49) of the 135 GAP activities is classified as *operational* (e.g., likely to affect a woman's life). Upon closer examination, it appears that some of the 49 activities, which are classified by the Bank as "operational" (e.g., gender

[19] Donors include: Australia, Canada, Denmark, Finland, Germany, Iceland, Italy, the Nike Foundation, and Norway, Spain, Sweden and the United Kingdom.

assessments; gender needs assessments), are actually *not* "operational" according to a conventional definition of that word.

Good news: Increase in gender coverage in project design. It is encouraging that, between the GAP's launch in fiscal 2006, and fiscal 2008, gender coverage in the design of IDA-financed projects increased from 33 to 41 percent in GAP sectors, while coverage in other sectors increased from 69 to 77 percent.

Bad news: But the quality of coverage is poor and sharply declining. That is, coverage of gender issues at the outset of these projects (i.e., "quality at entry") declined from 72% to 52% in FY08. The quality of gender coverage in project supervision also declined to only 37%.

Good news: There has been progress in implementing the Bank's gender-related commitment targets set in April, 2008. The Bank has met or exceeded its targets in mainstreaming gender in at least 50 percent of rural projects in the Africa Region. Indeed, 59 percent of the projects met this target by mid-2009. The target for the use of gender analysis in the design of land policy and administration projects has also been achieved. Other commitments are on track as well; these relate to labor markets, private sector development, and infrastructure (especially transportation and energy).

Bad news: The Bank's policies in these areas of commitment rely on policies that often affect women adversely, such as deregulation of labor markets and implementation of public-private partnerships (PPPs). For instance, PPPs often diminish access to services for the poorest people by imposing higher user charges for services, such as transport and energy.

Deregulation of labor markets also has adverse impacts on poor and marginalized persons and women. The process of deregulation is scored by the Bank in its annual "Doing Business" report. This report uses a scoring system that, among other things, penalizes countries with easy, low or no cost dismissal processes without recognizing the role of laws and ILO Conventions that seek to protect women (particularly during child-bearing) and racial and ethnic minorities from arbitrary dismissal.

The "Doing Business" Report also gives the highest rating to governments that do not require employers to pay any benefits, such as pensions, health insurance, maternity leave, unemployment insurance and so on.[20]

[20] Government requirements for employers to pay labor contributions are measured as a component part of the total tax rate in the "Doing Business 2010" Report and the "Paying Taxes 2010" Report. The highest ratings go to countries with zero labor contributions: Afghanistan, Angola, Bangladesh, Botswana, Comoros, Ethiopia, Georgia, Lesotho, Maldives, Suriname, Syria, Tonga and the West Bank/Gaza. The Bank provided special recognition to those countries which had reduced labor contributions: Belgium, Benin, Kazakhstan, Krygyz Republic, Macedonia, Moldova, Montenegro, and Poland. In most developing countries, employer-based insurance can be feasibly implemented; portable insurance cannot.

Good news: Sixty-three percent (63%) of GAP initiatives are in IDA countries.

> **Bad news**. By July 2009, the GAP had allocated only $15.9 million for initiatives in 43 IDA countries.
>
> **Worse news**. The GAP allocated only $7.5 million for initiatives in lower-middle and middle-income IBRD countries.

Since the GAP Trust Funds will expire in December, 2010, the Bank Management is preparing a transition plan. However, any transition plan is likely to be ineffectual unless there are strong incentives for applying the gender policy and remedying the problems discussed above.

V. Climate Change[21]

To many observers, the World Bank is the wrong institution to tackle climate change – in part because it is dominated by the countries which, historically, have been the heaviest polluters. These Northern countries can pressure the poorest, least polluting countries to borrow to cover the costs of adapting and mitigating the effects of their profligate pollution. Poor, crisis-stricken countries should receive ample flows of grants, not loans, for this purpose!

Also, the Bank's climate change efforts are guided by its Strategic Framework on Development and Climate Change which, to some extent, finances "business as usual." This framework for Bank operations maintains or increases financing for fossil fuel. In fact, the Bank defines "clean technology" so loosely that fossil fuel projects (e.g., "clean" coal) are included in this category.

In fiscal year 2009, lending by the World Bank for actual power generation (excluding energy efficiency) favored fossil fuels ($1.9 billion) over renewables ($1.4 billion). IDA financing for renewable energy represented only 38% ($800 million) of the institution's total energy financing in FY09 (and some of that amount may support large dams). The increase in the level of financing of renewables represents progress. However, to be "part of the solution" to global warming, the Bank needs to dramatically reduce or eliminate financing for projects utilizing fossil fuels.

While the Bank has collected $6.3 billion (for a three-year period) for its "Climate Investment Funds" (CIFs), contributions to the programs of the UN Framework Convention on Climate Change (UNFCCC) are paltry. For instance, over their eight years of existence, the UNFCCC's programs for adaptation – the Special Climate Change Fund (SCCF) and the Least Developed Country Fund (LDCF) – have disbursed less than $300 million.

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[21] For more in-depth analysis, see "Gender and Climate Finance: Double Mainstreaming for Sustainable Development" by Liane Shalatek, Heinrich Boell Foundation, June 2009: http://www.boell.org/web/52-318.html

In general, developing countries prefer working with the UNFCCC funds because they are more democratically-governed.

The World Bank-managed CIFs are based on the premise that developing countries should "pay for the industrialized world's pollution by borrowing considerable sums to adapt to a climate crisis they did not create. As one observer put it, it is as if you were to drive your car into someone's house and then offer them a loan to repair the damage."[22]

Three IDA Mandates

The IDA-15 agreement contained several mandates and a description of three of these follows:

1. **the institution should mainstream adaptive actions in Country Assistance Strategies (CAS).** But, according to the IDA Mid-Term Review paper, ***"IDA and Climate Change: Progress Report" (October 2009),*** a review of ten country assistance strategies (CASs) found that few of them anticipated any specific actions related to climate change over a multi-year period. For each country, the World Bank/IDA prepare a CAS which represents its business plan and anticipated investments in the country over a three- to six-year time horizon.

2. **the IDA should tap into climate finance**. During fiscal 2009, the volume of carbon finance projects managed by IDA has collapsed. The value of *Emission Reduction Purchase Agreements fell from $35 million in 2007 to $4 million in 2009.* This is a mixed blessing since, by purchasing carbon offsets from developing countries, Northern corporations are buying a license to continue polluting the atmosphere. On the one hand, such carbon trading does not curb emissions and, on the other, it threatens to paralyze development in low-income countries particularly if payments (for foregone emissions) are stingy.

3. **the institution should scale-up climate change adaptation actions as well as financial support to climate change adaptation.** However, the Mid-Term Review paper states that IDA-15 has focused on financing development rather than adaptation. In terms of adaptation actions, the paper cites three types: (i) adaptation achieved through development; (ii) adaptation involving improvement in risk management; and (iii) adaptation achieved by addressing specific risks. Two-thirds of the adaptation efforts support capacity-building, infrastructure (e.g., irrigation), and improvements in natural resource management practices. However, the paper states that from IDA-14 to IDA-15, there has been no change in the level of financing for land and natural resource management.

UNFCCC programs dealing with adaptation are:

The **Adaptation Fund (AF) of the UNFCCC** which currently receives Secretariat services from the Global Environment Facility, but is managed by a newly established Adaptation Fund Board. The AF mobilizes finance from the Clean Development

[22] See J. Redman, et al., "Dirty is the New Clean: A Critique of the World Bank's Strategic Framework for Development and Climate Change," IPS, CRBM, Oil Change International, FOE, October 2008.

Mechanism and other sources to support countries and sectors (e.g., agriculture, flood protection, water supply, health) which are vulnerable to severe climate change impacts. In addition to the AF, the UNFCCC manages the Special Climate Change Fund (SCCF) and the Least Developed Country Fund (LDCF) which were established in 2001.

The UNFCCC identifies gender equality as a guiding principle for National Adaptation Programs of Action (NAPAs), whereas the CIFs do not. In fact, the guidelines for NAPA preparation stress that "Women are often the main repositories of vital local and traditional knowledge, and they need to be recognized as key stakeholders in the consultations and in decision-making."

Unfortunately, to date, expert reviews and analysis of most of the 43 NAPA reports financed through the LDCF and submitted to the UNFCCC show that the majority fails to address either gender differentiated vulnerabilities to climate change or the contributions that women make to adaptation efforts.

One World Bank CIF -- the **Pilot Program for Climate Resilience (PPCR)** of the **Strategic Climate Fund (SCF) --** supports nine IDA countries--Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia--and two regions (Caribbean and South Pacific) with an initial budget of $240 million. It seeks to finance the additional costs posed by climate risks to development and, therefore, will in most cases supplement other MDBs' funding (including IDA funds).

Other IDA-related funds include:

1. **The Program for Scaling-Up Renewable Energy in Low Income Countries (SREP)**, which is part of the SCF**,** is designed to support IDA countries in exploiting their renewable energy potential in place of fossil-based energy supply and inefficient use of biomass.

2. **The Community Development Carbon Fund (CDCF),** which supports projects in the least developed countries aimed at achieving energy efficiency, conversion of solid waste to energy and renewable energy. In fiscal 2009, it has committed 50 percent of its funds ($240 million per year) to buy emission reductions from small-scale projects located in priority countries.

3. **The Forest Carbon Partnership Facility (FCPF)** is intended to build the capacity of developing countries in tropical and subtropical regions—across Africa, East Asia and the Pacific, South Asia, and Latin America and the Caribbean—to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for Reducing Emissions from Deforestation and Degradation (REDD). Thirty seven IDA countries will receive payments for reducing emissions from deforestation and forest degradation.

Conclusion

Strong corrective actions are needed in order to ensure that the World Bank is an accountable institution that is "part of the solution" in critical areas (e.g., related to poverty reduction, gender equality and the environment, including climate change). Such actions should be preconditions for consideration of requests from the IBRD and IDA for higher levels of financing.