Funding the World Bank: The sixteenth IDA replenishment
Major reform must be the price of UK support

Donor countries contributed a record amount to the last replenishment of the World Bank's International Development Association (IDA), with the UK becoming the largest funder. In addition to its significant development financing role, the World Bank is extremely influential in establishing and promoting global development norms and policies. This makes it vital that the World Bank deliver for development, by responding to the needs of the poorest, promoting developing country ownership and disbursing aid effectively. However, we believe that the World Bank is currently failing to fulfil these responsibilities.

In part, this lack of effectiveness stems from serious weaknesses in the Bank's monitoring and evaluation of its programme performance.[i] Such weaknesses suggest the Bank has insufficient information on how its work is affecting critical development results. More fundamentally, major change is needed in the Bank's structure and approach. Its legitimacy and ability to serve the interests of developing countries are undermined by developed country dominance of its voting system and board. Radical governance reform, starting with parity of votes between developed and developing countries and the ending of permanent board seats, is therefore critical. Further improvements to transparency and accountability are similarly urgent. UK development NGOs have a range of other concerns about the Bank's support to the poorest countries, examples of which are highlighted in this paper.

The UK should use IDA's 16th replenishment to push the World Bank to take significant action to reform the practices highlighted in this paper. Without major reforms, the UK should not increase its cash allocation beyond the level of IDA 15 and instead consider alternative channels for its development assistance.

Conditionality and allocation: The World Bank continues to apply economic conditions – such as those related to privatisation and trade liberalisation – to a substantial number of its loans, with a quarter of loans attracting such conditions in 2008. *Given that the UK government committed in 2005 not to apply economic conditions to its aid, it should renew its call for such practices to be urgently phased out.*
The World Bank also applies conditionality to its IDA funds through the use of its Country Policy and Institutional Assessment (CPIA) to determine allocations. This gives more weight to economic and governance reforms than to poverty levels and social policies. A recent review by the Independent Evaluation Group called for a thorough re-examination of the CPIA. *The World Bank should therefore reform its allocation process so that its support focuses substantially on need and allows countries greater freedom to choose their development policies. More development-sensitive approaches to conditionality are already in use. For example, the European Commission has started basing top ups to budget support disbursement decisions primarily on health and education outcomes.*

Research and knowledge: A 2006 review of the World Bank's research found that the Bank generally uses research as a tool to "proselytize on behalf of Bank policy", rather than to promote open, evidence-based debate.[ii] The Bank also carries out the vast majority of its research itself, instead of supporting developing country researchers and research institutions to lead this work autonomously. It is far from clear what (if anything) the Bank has since done to address these highly critical findings, and the UK government's response has been muted.
The World Bank should take a step back from trying to dominate development debates as a "knowledge bank". Instead it should support countries to explore their own ideas about development and build the capacity of their own research institutions. The approach of UN agencies such as UNCTAD, which actively consult UN members on their research priorities and outputs, is illustrative of other models of development research in use amongst multilateral agencies.

Sectoral support: the following critiques of the health and education sectors demonstrate the need for all IDA sector support to: ensure that the poorest and most vulnerable have access to quality basic services at no cost; not impose policies that require governments to privatise these basic services; and not hold up funding through onerous bureaucratic requirements.

Health: The World Bank is simply not delivering effective support in health. Performance has worsened in recent years, with half of all health, nutrition and population projects delivering unsatisfactory

outcomes.[iii] Only 6% of projects from 1997 to 2007 had specific objectives to deliver outcomes for the poor, and projects in Africa have been particularly ineffective.[iv] Furthermore, the World Bank's promotion of health user fees and costly health insurance in some of the world's poorest countries is directly at odds with the UK government's own policy on health financing. Far from supporting pro-poor development, user fees and other forms of out-of-pocket expenditure for health continue to push over 100 million people into poverty each year.[v]
The World Bank must support progressive, pro-poor health financing options, especially the removal of user fees. It must show how every health programme and project reaches the poorest, especially women, and is adapted during implementation to maximise effectiveness. Any UK increase in health aid should be given not to the World Bank but to better performing multilateral bodies, such as the World Health Organisation, which has significant legitimacy globally; the Global Fund, with its participatory, country-led delivery structures and strong performance processes; and the EC, to expand its pro-poor, partly performance-based Millennium Development Goal contracts.

Education: Concerns about the education policies promoted through IDA funds focus on two areas. Firstly, in recent years the World Bank has promoted using para-teachers – non-professional teachers with low levels of training – as a solution to the dramatic shortage of trained teachers in many IDA countries. This has a profound impact on the quality of the education, and on the education system as a whole, particularly the status and coherence of the teaching profession. *The UK should push the Bank to move away from this policy.*
Secondly, the World Bank promotes public-private partnerships for education, based on limited evidence drawn solely from Colombia, Chile and the US.[vi] Privatisation in education often exacerbates existing inequalities in access to education, particularly disadvantaging marginalised groups. *It is crucial that IDA funding supports the best policies in education based on robust evidence.*
Furthermore, as a trustee of the Education for All – Fast Track Initiative (FTI), which is the leading multilateral funding mechanism for basic education, the Bank has been criticised for bureaucratic inflexibility and for seriously delaying the disbursement of grants. Among other negative impacts, this has led to the FTI struggling to work in fragile states, where over half the world's out-of-school children live. *The World Bank's role in the FTI must be scaled back if current reforms are to enable the Initiative to fulfil its potential as a flexible, responsive and transparent partnership between donor and recipient governments and civil society.*

Climate change: The World Bank is compromising development through its carbon-intensive portfolio, including its significant and expanding investments in fossil fuels. Its large-scale, export-oriented energy model has often failed to increase access to energy or reduce poverty. Moreover, the World Bank's attempt to position itself as a conduit for climate finance has risked undermining the internationally agreed UN process for addressing climate change. The Climate Investment Funds, designed by officials from the Bank and developed countries, have also been criticised for failing to substantively involve civil society or respond to concerns. While we welcome the changes made to the governance of the CIFs, we strongly urge that in the medium term, this money should not be managed by the Bank at all. Better alternatives exist, such as the Kyoto Protocol Adaptation Fund, which has majority representation of developing countries on its board, high levels of transparency and accountability, and offers direct access to funding.
The World Bank must phase out its support for fossil fuel energy projects, strengthen its social and environmental safeguards, and move away from its top-down approach to prioritise increasing access to clean energy. These reforms should be dealt with separately from issues of climate finance, for which the UK government should actively support the creation of a global fund under the authority of the UNFCCC.

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[i] World Bank Independent Evaluation Group. *2009 Annual Review of Development Effectiveness*, pp xiv-xv.
[ii] Deaton, A. *et al.* (2006) "An Evaluation of World Bank Research", p5.
[iii] World Bank (2009) *Implementation of The World Bank's Strategy for Health, Nutrition, and Population (HNP) Results: Achievements, Challenges, and the Way Forward.*
[iv] World Bank Independent Evaluation Group (2009) "Improving Effectiveness and Outcomes for the Poor in Health, Nutrition and Population - An Evaluation of World Bank Group Support Since 1997."
[v] Xu, K *et al.* (2007) 'Protecting households from catastrophic health expenditures.' *Health Affairs*, 6:972-983.
[vi] Patrinos, H. *et al.* (2009) *The Role and Impact of Public-Private Partnerships in Education*. World Bank, Washington.