PRESS RELEASE: World Bank puts banks before people

The World Bank Group invests three times as much as in banks and other financial firms as in education.

WASHINGTON/LONDON – A stinging new report finds the World Bank Group is channelling crucial development resources to banks instead of directly investing in projects that will improve the lives of the poorest peoples - which is supposed to be at the heart of the Bank’s mandate.

The Bank’s private sector arm, the International Finance Corporation (IFC), invested $36 billion in financial intermediaries such as banks and private equity funds between July 2009 and June 2013. This was three times as much as the World Bank invested in education and 50% more than it invested in health care.

Peter Chowla, Coordinator of the Bretton Woods Project, said: “The same actors who caused the financial crisis are being given public development resources, enriching bankers without sufficiently helping the poorest. The World Bank seems to have learned no lessons from the financial crisis, and is ploughing money is reckless financial institutions.”

The IFC’s official compliance body released an audit in February 2013, revealing that even the IFC does not know the impact of its lending to the financial sector.

The Bretton Woods Project report: Follow the Money finds that instead of Small and Medium Enterprises (SMEs), who employ the majority of people in developing countries, it is large commercial banks that are getting financed. Additionally, nearly $XXX billion is funneled through known tax havens such as the Cayman Islands and Switzerland.

In the most recent fiscal year, 21% ($11 billion) of the total World Bank Group annual commitments went to the financial sector via the IFC. Only 13.3% of the IFC’s investments in the financial sector even went to low-income or lower-middle-income countries where the vast majority of poor people live.

Chowla continued: “We know from internal audits that the IFC has systemic internal failings and that it can't control its clients, often resulting in devastating human rights, environmental and social impacts.”

Dario Kenner, Researcher at the Bretton Woods Project said: “World Bank support to big banks and private equity funds is seriously lacking in transparency, with the financial sector acting like a black box for public money. We just can’t know where the money ends up and whether it has any positive impacts.”

“With more and more money going to financial markets these worrying trends are going to become even more important.”

For more information or to arrange an interview contact
Washington: Peter Chowla pchowla@brettonwoodsproject.org +1 202 476 9584
Notes to editors

- A financial intermediary (FI) is a third-party financial entity, such as a bank, insurance company, microfinance institution, or private equity fund.
- Support to FIs comes from the International Finance Corporation (IFC), the part of the World Bank Group that invests in the private sector.
- Total IFC commitments (covering loans, guarantees, equity and risk management) in FY 2013 were $18.3 billion. This is 240% larger than 2005 when they were $5.3 billion.
- The Bretton Woods Project has been monitoring the World Bank and IMF since the 1995.
- Follow the Money: The World Bank Group and the use of financial intermediaries was published by the Bretton Woods Project on 10 April 2014: http://www.brettonwoodsproject.org/2014/04/follow-the-money