The World Bank Group's Corporatization of Development

Since 2013 the World Bank Group[1] (WBG) has been implementing its strategy with twin goals[2] — the first to encompass all four principal agencies: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) – of ending extreme poverty and promoting shared prosperity, which has particular focus on expanding and strengthening involvement and partnerships with the private sector. This can be seen in its active promotion of Public-Private Partnerships (PPPs), the so-called "Cascade" approach introduced in Spring 2017 that was later renamed "Maximizing Finance for Development", and the push for "de-risking" of private sector investments.

The WBG remains influential in development policy, relied on by the international development community for its expertise as a purveyor of "knowledge and solutions", promoting its technical assistance to developing countries and pushing its free-market, corporate-led economic and development framework. Illustrative of this is how, together with the International Monetary Fund (IMF), it has effectively shaped the narrative of the sustainable development agenda with catchphrases of "leaving no one behind" and moving "from billions to trillions" in development financing, similar to its "inclusive green growth" mantra prior to the Rio+20 summit. It still exerts heavy influence on aid allocations of the donor community through the macro-economic assessments it makes along with the IMF.

As clearly outlined by IBON International in a previous paper[3], the WBG has been increasingly financing transnational corporations (TNCs) – intentionally referred to as the innocuous 'private sector' – with its core business of advancing corporate agenda now flaunted in every development policy arena as incentivizing the private sector to support sustainable development. At the 2018 Spring Meetings of the IMF-WBG, the WBG reports on MFD implementation update, such as "new diagnostics" being piloted – the Infrastructure Sector Assessment (InfraSAP) that pinpoints "opportunities to maximize finance for infrastructure investments and the actions needed to unlock them," and the Country Private Sector Diagnostics and Sector Deep Dives that "help identify key constraints to market solutions" and drive regulatory reform and de-risking mechanisms.[4]

WBG: Crafting 'development' in service of market and capital

In 2017, the WBG committed USD 61.8 billion in loans, grants, equity investments, and guarantees to partner countries and private companies.[5] (See **Table 1** and **Chart 1**) Over 19% (USD 11.85 billion) of this amount was accounted for by the IFC, described on the WBG website as "the largest global development institution focused exclusively on the private sector."[6] The IFC also mobilized close to USD 7.5 billion from other investors, who count on the Bank's institutional backing. IBRD lending for private sector development totaled USD 5.7 billion for fiscal year 2017. Even the IDA, which provides loans, credits and grants to governments of poorest countries, now has a new Private Sector Window to leverage USD 2.5 billion of IDA's capital over the next three years to mobilize additional private sector investments.[7]

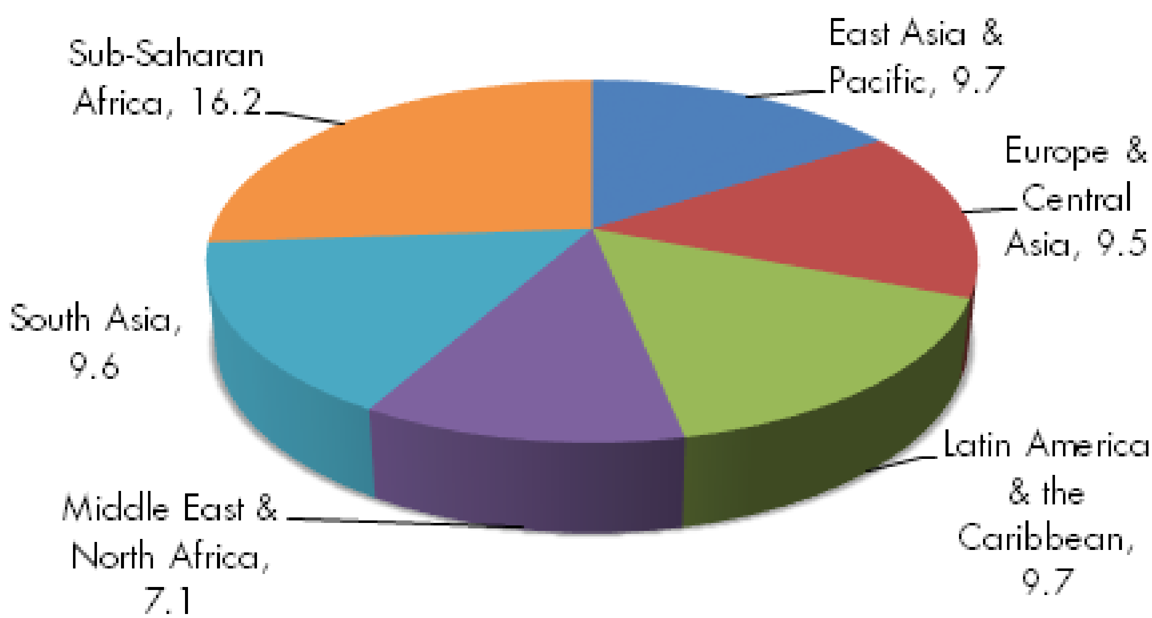
The four institutions also collaborate on a range of activities: An example cited in the WBG 2017 annual report is an offshore natural gas project in Western Ghana, where the WBG "is providing a $200 million IBRD loan and a $500 million IDA guarantee for the Sankofa Gas Project. IFC is providing $300 million in financing for the project sponsor, and MIGA is

Table 1. WBG Financing for Partner Countries, FY 2017 (In USD million)

In USD million	Commitments[a]	Disbursements[b]
IBRD	22,611	17,861
IDA	19,513[c]	12,718[c]
IFC	11,854[d]	10,355
MIGA	4,842 (Gross Issuance)	
Recipient-Executed Trust Funds	2,962	2,919
Total WBG	61,783	43,853

a. Includes IBRD, IDA, IFC, Recipient-Executed Trust Fund (RETF) commitments, and MIGA gross issuance. RETF commitments include all recipient-executed grants, and therefore total World Bank Group commitments differ from the amount reported in the Bank Group Corporate Scorecard, which includes only a subset of trust-funded activities.
b. Includes IBRD, IDA, IFC, and RETF disbursements.
c. Figures include the commitment and disbursement of a $50 million grant for the Pandemic Emergency Financing Facility.
d. Long-term commitments for IFC's own account. Does not include short-term finance or funds mobilized from other investors.
Source: World Bank Annual Report 2017

Chart 1. Regional Distribution of WBG Financing, FY 2017 (In USD billion)



Source: World Bank Annual Report 2017

providing $217 million in guarantees against risk to support the sponsor's commercial borrowing needs."[8] Two private investors, ENI of Italy and Vitol Group of the Netherlands, are undertaking the exploration and commercialization of the natural gas with the support of the guarantees.[9]

In a document titled *Forward Look – A Vision for the World Bank Group in 2030 – Progress and Challenges* released in Spring 2017, the WBG proudly proclaimed strong progress in its agenda to mobilize private finance or its 'billions to trillions' scheme to leverage private capital for infrastructure and other sectors in underdeveloped countries. It reported that the IFC is now focused on 'creating markets' which involves the WBG's collaboration in "creating enabling policy and regulatory environments and on de-risking the private sector's entry into these environments."[10] This is doublespeak for weakening national policy and regulatory regimes to open up economic sectors and facilitate entry of TNCs, protect their operations and ensure profitability, which does not only violate sovereignty but also thwarts real, democratically owned sustainable development.

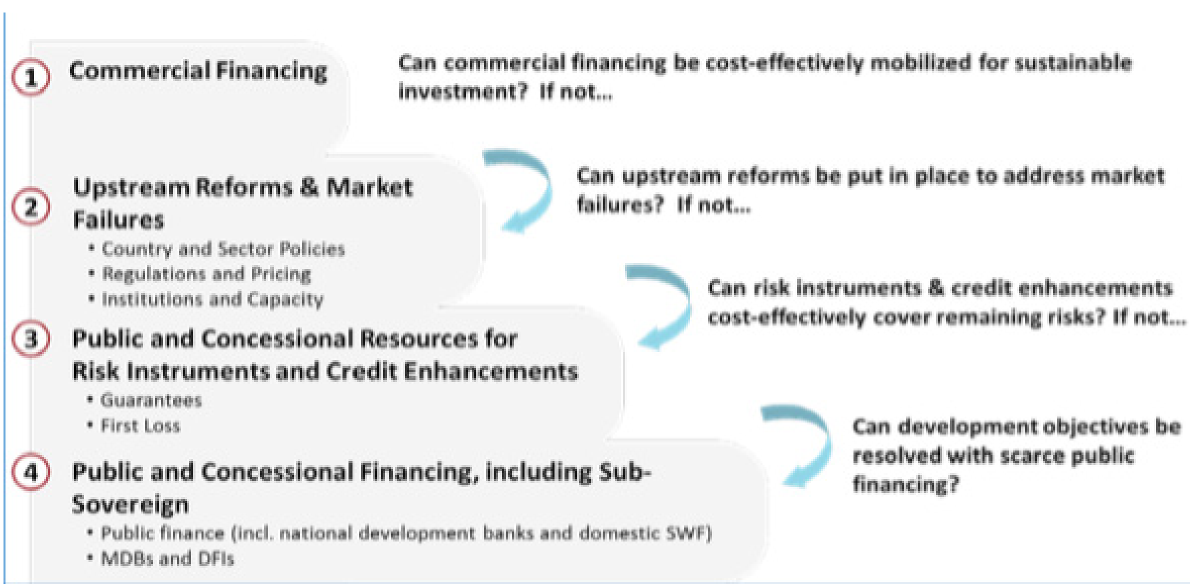
Cascade and Maximizing Finance for Development

The *Forward Look* document introduced the 'Cascade' approach, which operationalize the creating markets focus, "to maximize the impact of scarce public resources" by first seeking to attract commercial finance, "enabled by upstream reforms" or, bluntly, meddling with "country and sector policies, regulations and pricing, institutions and capacity." (See **Figure 1**)

"Where risks remain high, the priority will be to apply guarantees and risk-sharing instruments. Only where market solutions are not possible through sector reform and risk mitigation would official and public resources be applied."[11] Cascade strongly features the 'de-risking' of private finance by pushing for changes in both global and domestic investment climate, and providing favorable conditions and incentives to investors through regulatory change, subsidies, guarantees and other risk-mitigation.

While the Cascade is "currently focused on infrastructure" to find resources for a supposed 'financing gap', the approach "will be expanded to finance, education, health and agribusiness." This is a highly alarming intention for social services like education and health that are already

Figure 1. WBG's Cascade approach



reeling from impacts of privatization implemented in the past also at the behest of the World Bank. It thus further threatens people's rights to education, health, among others. Civil society critics also expressed concern on how the Cascade is fuelling the framing of multilateral development banks' (MDBs) role as institutions that create markets, instead of prioritizing development outcomes,[12] as the WBG proclaims it is "taking the lead in harmonizing approaches to applying the Cascade principles across MDBs, including using concessional financing to crowd in the private sector."[13]

At the WBG annual meeting in October last year, the Cascade approach was renamed 'Maximizing Finance for Development' (MFD), presenting what it calls a 'Cascade objective and algorithm' which means "consistently testing—and advising clients on—whether a project is best delivered through sustainable private sector solutions (private finance and/or private delivery) while limiting public liabilities, and if not, whether WBG support for an improved investment environment or risk mitigation could help achieve such solutions."[14]

Piloting of the MFD approach is programmed in nine countries, with focus on infrastructure sectors: Cameroon, Cote d'Ivoire, Egypt, Indonesia, Iraq, Jordan, Kenya, Nepal, and Vietnam. Implementation is to be scaled up both at geographic and sectoral levels, with Peru and Sri Lanka in the pipeline. In March 2018, the WBG notes that MFD diagnostics are likewise happening in many other countries.[15] The WBG also sees country-level activities to be "complemented by cross-country and regional initiatives that can unlock private solutions," citing regional interconnections that facilitate investments in large projects or harmonizing processes across countries to reduce transaction costs for investors.[16]

Other 'innovative financing mechanisms' are also being promoted, such as the World Bank Guarantee Facility for the Middle East and North Africa region (using guarantees from donor countries, WB raised an additional USD 450 million dollars of funding for Iraq and USD 150 million dollars for Egypt)[17]; the Asset Management Company for the IFC (created in 2009), which has generated USD 10 billion across 13 funds that invest in IFC transactions in developing countries[18]; and the new IDA Private Sector Window with four facilities (Risk Mitigation Facility, MIGA Guarantee Facility, Local Currency Facility, and Blended Finance Facility) aiming to "crowd in private participation in infrastructure and other key sectors by providing guarantees to cover non-commercial risks, support the provision of long-term local currency investment, and provide blended finance for high-impact investments and private market insurance."[19]

Progress in MFD is to be tracked through: 1) activities that address country, market or sector level constraints such as "investment in transmission lines that enable subsequent private sector response in power generation; or a Development Policy Loan that removes regulatory constraints for private financing in a priority sector;" and 2) activities that introduce 'private solutions for development projects' such as "transaction advisory support for a hospital public-private partnership (PPP), or a guarantee or insurance product that backstops government obligations for a privately-financed toll road concession."[20] Electricity, hospitals, roads cited as examples are all important public infrastructure needed for the realization of people's right to development. Not only is the WBG promoting a new wave of privatization that impacts human rights, it is also utilizing public money to subsidize private investments and enhance the financial viability and profitability of large infrastructure investments.

TNC & finance capital-driven agenda

Even before the global financial crisis, low interest rates in developed countries existed, encouraging the chase after higher rates in emerging economies that fuel the rise of private capital inflows.[21] In the wake of the crisis, interest rates recorded a downward trend – a condition that still prevails.

CSO analysts observed that developed and emerging economies expect huge infrastructure investment to be a 'silver bullet' that can boost the global economy by USD 2 trillion.[22] In the face of stagnant interest rates, even risk-averse investors, among them insurance firms and pension funds, have been increasingly attracted to higher-yielding investments in emerging markets. CSOs also note that the push to develop infrastructure as an asset class and shifting of the risk profile of investments are necessary steps to pave the way for institutional investors such as pension funds.

Table 2. Top Country Borrowers of the World Bank, 2017

In USD millions	IBRD Commitment	Country	IDA Commitment
China*	2,420	Nigeria	1,601
India*	1,776	Vietnam	1,512
Indonesia*	1,692	Tanzania	1,205
Colombia	1,687	Bangladesh	1,152
Argentina*	1,525	Ethiopia	903
Egypt	1,500	Kenya	900
Iraq	1,485	Yemen	783
Turkey*	1,083	Pakistan	736
Ukraine	650	Côte d'Ivoire	710
Romania	625	Nepal	640

Note: Amounts for multicountry operations are allocated across borrowers.
*G20 countries
Source: World Bank Annual Report 2017

Rich investors and fund managers appear to be among the private sector entities the WBG chooses to incentivize and protect through various projects, programs, and financing windows. Top borrowers of the World Bank (see **Table 2**) include big emerging economies of the G20 that are lucrative for private investors and contractors. WBG projects are mostly done partly or fully by TNCs or affiliate firms working on contracts. Aside from financial interest in the projects, corporations may also have investments in the borrowing countries and the WBG-funded infrastructure projects such as roads, ports or public utilities play an important part in their business viability or strategy. TNCs, especially those based in the United States, are well placed to push for disbursements of World Bank loans in countries where they have business interests.[23]

In addition, WBG-promoted arrangements such as PPPs or blended financing provide publicly guaranteed income streams to private companies through contract-based rights to public money or to monopoly income streams from services relied on by the public such as roads, schools, hospitals, etc.[24] This means that even if for some reason investors are unable to recover their costs or realize projected income from user fees, the government has to shoulder the expected returns of the investors.

Worse, in a 2016 study by Oxfam, the IFC was found to have lent money to companies that use tax havens. Analysis of IFC investments in Sub-Saharan Africa showed that 51 of 68 companies financed by the agency in 2015, which received 84% of IFC investments in the region, were tax dodgers. This unscrupulous practice deprives poor countries of vital revenues to address poverty and inequality.[25]

Grave implications for rights and development

In selling its Cascade/MFD approach to borrower countries and the international development community, the WBG imposes the presumption that private and public interests are essentially aligned, and that ensuring corporate profits serves people's welfare and sustainable development.

In terms of governance, aside from interfering with domestic policy and regulations, the Cascade/MFD undermines democratic decision-making as rich investors and corporate interests, not community needs or public good, determine what gets financed or not. It thus has huge implications for equity and social justice as infrastructure and facilities most beneficial for the poor do not get built.[26]

For example, despite claims that PPPs are key to mobilizing greater resources for sustainable development objectives, there is scant evidence showing that PPPs benefit the most marginalized and impoverished. According to the WBG's internal evaluation of PPPs it has supported from 2002-2012, the main measure of success for PPPs is "business performance." Data on the actual long-term performance of PPPs are rare and improved access for the poor was only recorded in about 10 percent of cases – leaving open the possibility that low-income groups are actually worse off in 90 percent of cases.[27] The provision of public goods and services becomes unreliable, dependent on unpredictable sources of financing, increasingly privatized, and prone to profiteering.

"Guarantees given to investors also eat up government budgets for health, transport, energy, etc. and thus hamper the ability to pursue public investment."

Moreover, user fees for privatized public services often escalate over the years and contracts and guarantees lock in the privatization path for decades, preventing reversal to public ownership as renationalization incurs exorbitant penalties.[28] This is exacerbated by the fact that corporations are more and more empowered, through trade and investment agreements, to sue governments in opaque tribunals for any new regulations that unfavorably affect their projected profits.

Guarantees given to investors also eat up government budgets for health, transport, energy, etc. and thus hamper the ability to pursue public investment. Countries also face the risk of a debt trap. PPPs, for instance, have been identified as a factor behind increasing contingent liabilities of developing countries.

Meanwhile, WBG policies and projects continue to impact the lives and livelihoods of millions of peoples around the world in notorious and adverse ways. Social, environmental and governance problems have hounded many WBG programs, which it tends to ignore or gloss over. While there is professed recognition of the importance of human rights, a review of the policies and guidelines of four multilaterals found that the World Bank has not been keen to acknowledge a human rights-based approach to development. It only explores the relation between economic growth and human rights, which reflects the Bank's paradigm of equating development with economic growth.[29] In practice, guidelines and mechanisms become mere formalities or are utilized for promotion of projects instead of providing full information on risks and benefits for a genuinely informed decision of affected communities.[30]

In Peru, for example, the IFC provided USD 23 million to build Yanacocha gold mine in 1993, and financed its expansion after six years. The agency also holds a five percent ownership stake in the mine. US-based Newmont Mining Corporation, the world's second largest producer of gold, owns 51% of the Yanacocha mine. Local people in villages and hamlets in the vicinity of the mine see these foreign entities, along with the Peruvian government in the capital, as the ones profiting from the mine, while they are left to deal with environmental and social destruction, such as the poisoning of their water resources. More than half of the population in the province of Cajamarca, where Yanacocha is located, live below the national poverty line. The province is the poorest in Peru, despite having vast mineral reserves.[31]

A review done by The Huffington Post and the International Consortium of Investigative Journalists of WBG investments found that instead of avoiding high-risk projects where harm is a likely outcome, the WBG favors financing huge, destructive projects like the Yanacocha gold mine, which place communities and the environment in great risks.[32] CSOs, for instance, are concerned about massive displacement from mega-projects such as the Delhi-Mumbai Industrial Corridor, feared to impact around 180 million people.[33] The World Bank is financing 1,200 km of the Eastern Dedicated Freight Corridor (Ludhiana-Kolkata) in three phases, amounting to USD 2.72 billion.[34]

The WBG has been in the forefront of making sustainable development a profit-making opportunity for TNCs and speculative investors, labeling its activities as providing 'business or market solutions' or 'leveraging' resources as well as appropriating 'innovative financing' as market domain. It is a mockery of what a public development bank should be, whose mandate is to deliver on public policy objectives for development, not serving profit interests.[35]

International agreements such as the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, and the Paris Climate Agreement are all profoundly influenced by the narrative of attracting private financing for development, which demonstrates the depth and breadth of the capture of the development agenda by market discourse. Such focus on business as driver of sustainable development muddle the obligation of governments as duty-bearers in the provision of public goods and services and fulfillment of people's rights.

It is high time to take back the development narrative from the clutches of corporate interests. People's rights and genuine development must not be left in the hands of corporations and institutions like the WBG that promote their private gain at enormous social and ecological costs. A rights-based approach to development – that puts premium on people's participation and empowerment, prioritizes the marginalized and vulnerable, and honors accountability to rights-holders – must push back and shape a new narrative and pro-poor agenda, oriented towards promoting social justice and respect for people's sovereignty over their own development processes.

Endnotes:

1. WBG is comprised of five organizations: 1) IBRD; 2) IDA – which together make up the World Bank; 3) IFC; 4) MIGA; and 5) the International Centre for Settlement of Investment Disputes (ICSID). It has over 10,000 employees across 120 offices worldwide.

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29. D'Hollander, D., Pollet, I., & Beke, L. 2013. *Promoting a Human Rights-Based Approach Within the Development Effectiveness Agenda: Briefing Paper prepared for the CSO Partnership for Development Effectiveness (CPDE) Working Group on HRBA*. Leuven: CPDE.

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35. For a discussion on public development banks and a framework to improve them, see Eurodad, *Public development banks: towards a better model* (April 2017)

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