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World Bank Group's Roadmap and Human Rights

Sidestepping What Really Matters

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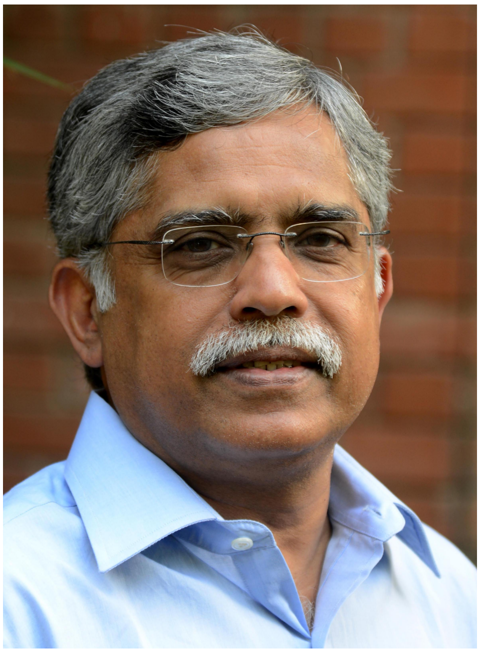

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What the Roadmap offers: Old wine in new bottles

The World Bank Group is under pressure to devise a process for "evolving" its mission, operations, and resources, acknowledging that decades of engagement with low- and middle-income countries has resulted, contrary to the intent, in a "crisis of development." The World Bank bluntly notes in the opening to its paper "Evolving the World Bank Group's Mission, Operations, and Resources: A Roadmap," issued in December 2022, "After decades of progress, growth and poverty reduction have stalled. " Indeed, this "crisis of development" has overwhelmed the world and threatens to unleash political instability.

The pressure to reform is coming from member governments of the Bank, particularly acutely from countries in the Global South where leaders face political backlash for the devastating effects of neoliberal reforms. As the Roadmap notes, "Urgent action is needed to address the growing crisis of poverty and economic distress, and global challenges, including climate change, pandemic risks, and rising fragility and conflict." Indeed, economic and environmental crises are triggering civil strife, eroding social cohesion, and encouraging far-right, religious fundamentalist, and authoritarian tendencies that severely erode human rights.

Given that context, what is needed is not just "evolution" but radical reform. In this 75th year of the Universal Declaration of Human Rights, adopted by the United Nations General Assembly on Dec. 10, 1948, what stands out is that, from the perspective of low- and middle-income countries, the realization of a core right enshrined in a follow-up General Assembly resolution nearly four decades later, the Right to Development, remains a distant dream. The proclamation of the right to development in 1986 emphasized the need for "constant improvement of the well-being of the entire population and of all individuals, on the basis of their active, free and meaningful participation in development and in the fair distribution of the benefits resulting therefrom." It went on to note "that efforts at the international level to promote and protect human rights should be accompanied by efforts to establish a new international economic order."

Four elements of this overarching commitment to a right to development and "a new international economic order" need to be emphasized:

First, the beneficiaries must be, as noted above, "the entire population," not segments of it. In the current context of extreme inequality worsened by the adoption of neoliberal economic policies, mere "inclusion" that amounts to equal rates of advancement for all segments -- poor and rich -- will not do. Any "fair distribution of benefits" must seek more rapid improvement in the conditions of those left behind.

A second element of the commitment that should be stressed is that, as the Right of Development resolution notes, U.N. member states are obliged "to promote *universal* respect for and observance of human rights and fundamental freedoms for all". So there is need for "universality" in access to benefits required to meet basic needs. That, in turn, requires targeted methods to address the needs of individuals and communities who are at the lowest income levels because they often lack the means to establish eligibility.

Third, a process to pursue egalitarian development, with universal access to basic economic and social "rights" for all individuals, should be designed and managed on the basis of, as the Right to Development resolution states, their "active, free and meaningful participation." Achieving such participation would require the strengthening of substantive, rather than mere political, democracy.

Finally, these goals must be pursued not just at the national level but also at the global level, and that would involve the establishment of a new, more equal international economic order.

Examining such goals in today's context makes clear that there is a long way to go, and gradualism will not do. As the ongoing crisis of development reveals in the myriad forms it takes, it is clear that the international community and special institutions such as the World Bank, established with the promise that they would advance global development, have failed in their mission.

Not surprisingly, the calls for improvements of the international economic order and the global financial architecture have turned vociferous and reflect varied voices, as illustrated by proposals such as the Bridgetown Initiative of July 2022 from Barbados and the Havana Declaration on the New International Economic Order of January 2023. There have also been initiatives to establish multilateral development finance institutions, such as the other multilateral banks whose governance structures give countries of the Global South a significant role in decision-making and, unlike the traditional 'multilaterals' such as the World Bank, are not dominated by G7 governments, some of whom exercise veto powers.

Modest ambitions and a mere shift in focus

Compared to those voices advocating for systemic changes, the Bank Group's evolution Roadmap has very modest ambitions, broadly sticking to versions of the usual GDP-linked development indicators. It seeks to expand the World Bank's vision and mission by broadening its limited "twin goals" of "ending extreme poverty and boosting shared prosperity" by 2030, to emphasize sustainability and resilience and the creation of global public goods as a way of addressing challenges such as climate change and pandemic preparedness, prevention and response. The Roadmap redefines inclusiveness to pay more attention to middle-income countries that also face challenges to their sustainable development. But it leaves unaddressed the issue of whether this extension will be in addition to an enlarged engagement with low-income countries (LICs). The Roadmap is largely a promise to review the World Bank's operating model, and perhaps more importantly for the institution, to find ways of increasing resources and enhancing its "financial model," to realize these loosely defined objectives.

The difficulty is that, after noting that even the "twin goals" meant to have been achieved by 2030, "are increasingly out of reach," the World Bank partly absolves itself of any responsibility. In its view, it has in the past "adapted to change," responding "with speed, scale and impact to individual crises" and to global challenges. The assessment seems to be that the problem is external. Challenges have multiplied and acquired new intensity, requiring another effort to adapt an organization that sees itself as positioned "for global leadership on long-term development and crisis response."

The Roadmap is not one for reform and restructuring of an organization whose governance and actions no longer correspond to geopolitical and economic realities typical of an international order that was shaped by the hegemonic structures resulting from uneven development and colonial or semi-colonial conditions. The Roadmap also fails to acknowledge research findings in specialized literature that have established the adverse consequences on human rights and the right to development of a number of policies that the World Bank Group has enthusiastically promoted for decades, such as public-private partnerships (PPPs) and the privatization of the public-health sector.

This limited ambition triggers a "review" not of past performance, to learn from the World Bank's mistakes, but of "how to strengthen the focus" of its mission. This ignores decades of massive increases in inequality, persistent social deprivation, failure to deliver on basic human rights, and the erosion of state capacity due to players from the North insisting upon providing essential services for profit. The result has been a breakdown of social cohesion under the watch of the Bretton Woods institutions. This has in many contexts led to the strengthening of ultra-conservative far right, fundamental and religious forces, all of which are inimical to the realisation of a safe and stable social order.

The Roadmap offers anaemic suggestions for renewal instead. The first set is to rebase essential development indicators to account for achievements since the earlier mission statements were formulated. With close to 700 million people still living in extreme poverty, global extreme poverty reduction must continue as a goal to be achieved. But, since, unlike earlier, those in extreme poverty live largely in the low-income countries, the anti-poverty effort must be stepped up by adding a higher poverty line. This poverty line should materially (not only theoretically) ensure the U.N. Committee on Economic, Social and Cultural Rights' 1990 "minimum core content of economic, social and cultural rights," which would address even more people than the 3 billion living on less than $6.85 a day, which is the average of national poverty lines in upper-middle income (MIC) countries. This is seen as a way of tweaking the World Bank's principle to "serve all clients." As the Roadmap explains: "While the 2018 capital increase for IBRD and IFC interpreted `serving all clients' as reorienting lending towards lower income countries, the need to make progress on global challenges would require a rebalancing of this strategy to identify opportunities to better respond to MIC clients."

That leads to a new version of "trickle down" development, since "WBG involvement with MICs offers the opportunity to learn from these countries' experiences and apply these lessons to LICs." To the extent that this involves pushing non-concessional or non-International Development Association (IDA) lending into poor countries, it imposes a cost on them while delivering more profits to the institutions. In addition, it suggests the adoption of a one-size-fits-all approach with policy recommendations to the poorer countries that are not based on an understanding of their often-exceptional circumstances.

In sum, the Roadmap's "evolution" seems to imply shifting focus away from the very poor, where grants and concessional finance are the only flows that can work, to the median players for whom it is believed yield-seeking capital flows can make a difference. It also justifies and aligns with an enhanced private-sector focus reflected in the profile of the U.S. nominee to head the World Bank, former MasterCard CEO Ajay Banga. The "evolution of the WBG Mission will require increasing financial and analytical support to MICs," because it is there that the World Bank Group can help "create a robust business enabling environment, and unleash private sector growth," and because the "private sector is a larger economic actor in MICs than in LICs."

In keeping with the shift, the World Bank is likely to consider revising the notion of shared prosperity, moving from a focus on household consumption or income growth among the bottom 40 percent (that is, from a focus on "inclusivity") to raising (GDP-based) median incomes and reducing the prosperity gap between countries. Old failures of the international community – and the World Bank as one of its representatives – are represented as new challenges.

Blurred recognition of new challenges

A second set of suggestions the Roadmap offers for renewal seek to accommodate "topics" such as climate change and pandemic preparedness in the Bank's mission statement. But what the global public goods discussion in the Roadmap is missing is a clarity and definitiveness of purpose. In its view, new challenges "could include topics such as climate change (mitigation and adaptation), pandemic preparedness, fragility, migration, and regional development, recognizing that these priorities may change over time." These are not just short-term trends that ebb and flow; each of these "topics" are deep, in some cases existential, phenomena in the economic fabric of a growing number of countries, besides the fact that they refer to fundamental human rights. The World Bank Group should view these – and grapple with them – as imperatives.

Instead, even as the Roadmap flags the possibility that addressing these will require changes to its operations and financial models, the document quickly deflects, saying the "private sector will play an essential role in addressing climate mitigation and the energy transition, including as project implementers, financers, and innovators." This sidesteps the evidence that efforts to outsource responsibility to the private sector in the past have not worked and can actually have damaging consequences. The private sector has been reticent to voluntarily enter areas where financial returns are low, even when social benefits are high. Furthermore, efforts to draw it into such activities through public-private partnerships have, in most cases, brought profits to the private sector while leaving risks with governments. This trend of trying to integrate private capital into development while largely absolving it of risk – what the British economist Daniela Gabor in 2020 dubbed the "Wall Street Consensus" -- is more dangerous than ever.

Where the Bank does demonstrate a sense of purpose is in the traditional pattern of demanding additional financing and de-risking of private investment. The Roadmap declares: "For the WBG to continue to play a central role in development and climate finance, it will need a concerted effort by both shareholders and Management to step up WBG Financing Capacity. This may include further optimizing the balance sheet, increasing the IBRD equity through various options, and increasing mechanisms for concessional funds for WBG activities to address" global public goods. At the same time, "given the scale of the financing needs, official multilateral financing must catalyze other financial flows."

However, since many projects linked to challenges like climate change are unlikely to yield satisfactory monetary returns, private investors are likely to continue to stay away. In the World Bank's perception: "The WBG's role can be amplified through efforts in areas such as private capital facilitation, (both private capital mobilization (PCM), through co-financing and de-risking, and private capital enabling (PCE), through reforms and public investments), domestic resource mobilization (DRM) and improving the efficiency of public spending." But while these options are being considered for incentivizing and de-risking private investment, the Bank Group is unwilling to reconsider its current emphasis on sustaining its preferred creditor treatment and AAA rating, which could encourage more lending for at least some projects that have significant social benefits but are considered risky in the traditional financial sector. It also could restructure debt to provide fiscal breathing room to countries experiencing debt stress or a debt crisis. Instead, as part of its evolution, the Bank will only "explore all options that increase the capacity of the WBG whilst maintaining the AAA rating of the WBG entities."

In sum, rather than break away from the reliance on traditional indicators and the tethering of multilateral public finance to private finance and instead incentivizing private finance to wade into areas with low profit probabilities but high social returns, the Roadmap seems to be strengthening the World Bank's outdated tendencies.

Certainly, attention to challenges faced by middle-income countries is welcome, but that energy and investment in their direction may come at the cost of already inadequate attention to the low-income countries and to the poorest populations in the middle-income countries. Such an approach has serious implications for the ability to deliver on targets set for the year 2030 under the 2015 Sustainable Development Goals (SDGs). Those targets were indicators of development that focused on outcomes along several lines of human development and sustainability. The ongoing economic crisis, the impact of the pandemic, and the wide-ranging effects of extreme weather events amplified by climate change have far more severe impact on SDG indicators in the low-income countries and among the poor in the middle-income countries. These populations also are least capable of adjusting to the effects of shocks and creeping crises. The reversal on progress toward crucial SDG outcome targets not only undermines the right to development and therefore the human rights of affected populations, but also may have social and political implications that damage human rights generally when, for example, this backsliding triggers social turmoil, ethnic and communal conflict, and authoritarian tendencies.

The World Bank Group could feasibly address some of these issues by importing a select set of outcome indicators that more generally reflect advances and regressions on human rights into the development-indicators framework. The Organization for Economic Cooperation and Development, for example, declared as long ago as 2006 that human rights should be integrated into development.

Incorporating human rights into WBG indicators

Even the World Bank acknowledges in its Roadmap that there is a need to explore new indicators for measures of prosperity. "The evolution exercise will review the current approach and explore the possibility of using new indicators for measuring prosperity," it says. In that spirit and given that the World Bank Group is technically part of the U.N. system (which should mean that the reference to human rights in the U.N. Charter cannot go unnoticed), the case can be made for a richer set of indicators that acknowledge human rights. The World Bank Group is bound by international human rights law, which includes civil, political, economic, social, and cultural rights. Yet the notion of development that it uses does not include (when it should) the full realization of all human rights. So it is urgent to design and effectively implement indicators with a strong human rights focus that accurately measure outcomes. Furthermore, it is technically possible and should be mandatory.

The framing of those indicators must be guided by the obligation to contribute to the advancement and full realization of all human rights. At the minimum this should include:

i. The *right to food*, in the form of universal physical access, for free or at heavily subsidized prices (for those who require it), to a minimum quantity (comprising staples and other elements) that meets basic caloric and nutritional requirements;

ii. The *right to education,* with free and compulsory access to school up to the higher secondary level for all children in the relevant age group;

iii. The *right to health*, with universal access to free primary and secondary health care;

iv. The *right to employment,* with a guarantee to provide, on demand, a certain number of days of employment in a year at the national minimum wage, failing which the beneficiary would be eligible for an equivalent unemployment allowance to cover the shortfall.

Needless to say, realizing these targets would require allocation of adequate resources from State budgets relative to GDP. Development policy recommendations from the World Bank should be such as to ensure the necessary fiscal space to provide that allocation.

The U.N. Conference on Trade and Development (UNCTAD) recently developed a Sustainable Development Finance Assessment (SDFA) Framework for policymakers of developing countries to assess the development finance each of them may need to achieve structural transformation and to realize the most significant SDGs, while at the same time ensuring the sustainability of their external and public sector financial positions. While SDFA seeks broadly to facilitate the achievement of SDGs, it is perfectly compatible with a more specific and concrete human rights approach.

A role for hybrid indicators

Incorporating human rights elements into the set of indicators can be facilitated by the use of hybrid indicators that link financial trends and movements in crucial outcome indicators. As an example, one indicator (for which information is already available) that can be used by the World Bank is the value of the public-health-sector budget in relation to annual external debt payments. This ratio would give a general idea of the priority given to realizing the population's right to health. To assess the fallout of different levels of diversion of budgetary resources away from public health to servicing of external debt, parallel trends in indicators such as neonatal, infant and maternal mortality rates can be examined." Debt-sustainability analyses can then concretely integrate the debt-driven consequences of limited public health spending. That would reveal the degree of additional resources needed in this area based on the specific overall health situation and challenges a country faces. The development indicator here connects external financial sustainability, public-sector financial sustainability, and the realization of specific human rights.

Focusing on specific features of the right to health does not mean that issues such as underspending and overspending in general are not relevant to assessing the impact of public finance on human rights. Rather, other perspectives need to be added and integrated into the universe of development indicators in order to understand and show more holistically the causes and effects of the main global social, economic and environmental challenges that countries confront. Promoting good governance while protecting minimum fiscal capacity for rights-sensitive budget items are mutually reinforcing goals.

Similar indicators can also link the level of a population's access to clean water and sanitation with the country's spending to service external debt. More specifically, changes in indicators such as water system functionality, safe management of excreta, water quality, sustainability, sanitary risk, and the enabling environment, can be measured and assessed relative to debt repayments.

Measures of gender equality offer an example of how human rights-centered development indicators can indeed be elaborated in a detailed and rather sophisticated way. A measure, for example, of the asymmetry in the distribution of care work among men and women in a given country can also be related to sums directly devoted in the public budget to the care economy and to the level of external debt-service payments.

Such conjoined indicators could help the World Bank Group and its shareholders and constituents better understand the extent to which a given debt burden is sustainable from a human rights perspective. As mentioned earlier, this information can (and should) inform the due diligence that creditors perform when assessing the credit risk of a given borrowing State and, ultimately, in determining whether and under which conditions debt relief should be granted/agreed.

Movement in these directions entails greater reliance on a framework that emphasizes development policy lending (which supports the overall development effort) as opposed to investment or project lending (or financing focused of individual projects). The difficulty is that the World Bank Group links development policy financing to "assessment of performance against a set of indicators in the form of institutional or policy reform measures that reflect progress in implementing a country-owned reform programme." But the agenda for reform and the indicators linked to it privilege private initiative over proactive State intervention. Combined with associated privatization, this approach prioritizes fiscal consolidation of a kind that limits state capacity and embraces markets that function within power structures.

In summary

The current World Bank Group framework, as signaled in the Roadmap, must change its lending practice to advance human rights, especially social and economic rights. As all human rights are interdependent -- something seen particularly dramatically during the pandemic – the attainment of social and economic human rights can, in turn, advance the right to health and even the right to life. Furthermore, the World Bank (or any other multilateral financial institution) should not be deterred in adopting a human rights approach in its decisions and daily practices by allegations – or fears thereof – that it is meddling in countries' internal politics or that it is increasing bureaucracy and transactional costs. The World Bank cannot put itself above international human rights law. Human rights recognized in international conventions are not about politics, but about moral and legal values universally agreed upon. And anticipating the effect of loans and policy recommendations on human rights and development does not create inefficiency; rather, inefficiency derives from the failure to meet basic institutional objectives by repeatedly prescribing the same policy recipes that harm instead of benefit the people of developing countries.

Until a robust human rights approach is adopted by the World Bank's Inspection Panel, all efforts to ensure accountability (a notion based on civil and political human rights) will be futile and will only pay lip service to the affected communities. The approach proposed in this policy brief would better equip the World Bank to assist States in achieving their economic transformations and in making development (including its most urgent challenge, eradicating poverty) and the full realization of human rights a reality. A true evolution would mean a World Bank that recalibrates its strategies to achieve goals that truly benefit all.