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How the World Bank's Covid-19 response is prioritising the private sector

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By Ourania Dimakou, María José Romero and Elisa Van Waeyenberge

Executive Summary

The Covid-19 pandemic has triggered health, economic and social crises of unprecedented proportions that have the potential to seriously undermine the (already slow) progress made by developing countries towards achieving the Sustainable Development Goals (SDGs). The World Bank's (WB) own figures suggest that by 2021 an additional 110 to 150 million people will have fallen into extreme poverty, living on less than US$ 1.90 per day. The impacts of the Covid-19 pandemic have resulted in calls for ambitious responses, both in terms of scale and policy, under the broad headline of "building back better". This briefing paper analyses the response of the World Bank Group (WBG) to the Covid-19 pandemic and reveals a persistent prioritisation of private over public interests, both in the immediate pandemic response and beyond. In fact, the WBG appears to have seized the current crisis as an opportunity to intensify its Maximising Finance for Development (MFD) approach.

The MFD approach, which has been implemented by the WBG since 2017, builds on previous strategies and represents a systematic and comprehensive effort to promote private sector development. The approach seeks to place the private sector at the heart of development, including in public service provision. The idea is for traditional Official Development Assistance (ODA) to take on a catalytic role in the mobilisation of private finance for development, including in the poorest countries. The approach deploys various instruments, many of which are referred to as "blended finance". They range from offering technical advice on how to reform policies and institutions in a particular country and/or sector, to taking "first equity loss" positions in private investment deals or providing loans to private sector agents at subsidised rates.

This WBG agenda reveals the unwillingness of the donor community to take concrete measures to scale up and strengthen public financing of development, and an inability to agree on a multilateral resolution to unsustainable sovereign debts. Furthermore, it demonstrates a lack of resolve to create a global body to deal with massive tax avoidance and evasion, which is strongly detrimental to countries in the global south.

Major donors and international institutions have failed to respond to a growing body of literature and evidence that calls into question the effectiveness of this approach and highlights its considerable negative consequences. Finally, it reflects a fundamental underlying prejudice against the public sector, which has been fuelled by austerity policies that have undermined its ability to deliver.

Our analysis highlights five points:

1. During the immediate emergency response, the WBG earmarked almost 60 per cent of the US$ 14 billion of the Fast Track Covid-19 Facility (US$ 8 billion) to be allocated through its private sector arm, the International Finance Corporation (IFC), instead of its public sector arms, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). They received US$ 6 billion. This does not respond to multiple calls across the policy spectrum for stronger public systems.
2. IFC financial sector clients and multinational companies have particularly benefited from the pandemic response. According to publicly available information, by late June 2020, 68 per cent (in value terms) of IFC Covid-19 projects targeted financial institutions. This corresponds to the first four months of the WBG's pandemic response and the close of its 2020 fiscal year. The WBG claims that this is to assist Micro, Small and Medium Enterprises (MSMEs) in navigating the fallout from the pandemic but this strategy is yet to produce results. In addition, around 50 per cent of IFC supported companies are either majority-owned by multinational companies or are themselves international conglomerates. There is a high risk that the IFC emergency response has not reached the countries, sectors and companies most in need of support.

3. Increased pressure to "get money out the door" has raised clear implementation challenges. In particular, the IFC's focus on financial institutions has fallen short with regard to transparency and accountability, while on the WB's side there have been questions about the very limited to no stakeholder engagement as projects are rolled out. This comes in addition to the shrinking space for civil society organisations (CSOs) to actively participate and increased reprisals against human rights activists by national governments.
4. Regarding its relationship with governments, the WBG remains set on structural reforms in support of liberalisation and deregulation. While most WB loans to governments that have been approved in the emergency response period have aimed at addressing the health crisis, others have a broader scope and include more traditional reforms in support of the private sector. This indicates a strong and continued commitment by the WBG to a market-driven approach which, among other things, has resulted in adverse health outcomes and negative impacts on gender equality.
5. The WBG ultimately aims to "build back better" by accelerating and scaling-up its support for private sector solutions. This includes an enhanced focus on public-private partnerships (PPPs) to deliver ostensibly public services, despite well-documented evidence regarding the multiple risks and implications of PPPs for the public sector and for citizens, including their high cost, fiscal risks, questionable effectiveness, and equity implications.

On closer inspection of the MFD approach in a pilot country like Kenya, it is clear that both prior to and during the pandemic, the WBG has relentlessly pursued an agenda of promoting private sector interests, including in core public sectors like health and education. This raises serious issues regarding who benefits from this agenda and at what cost. Indeed, the implementation of the MFD risks worsening inequalities and amplifying the economic and social fallout of Covid-19.

Policy recommendations

The WBG is a public institution with a development mandate and as such has a duty to deliver for the public good. The development financing paradigm for the next decade is at stake.

This briefing suggests short-term policy recommendations focused on the Covid-19 response and long-term measures that would allow the WBG to reconnect with its core mandate, which is ending extreme poverty and promoting shared prosperity.

In the short term:

- The WBG needs to restore the balance between the public and private sector in its Covid-19 response, including in its modalities and instruments. Developing countries are in need of concessional resources to strengthen their public systems, particularly health, education and social protection, and to stimulate the economic recovery.
- Both in its emergency response and with regard to long-term finance, the WBG must abandon policy conditions that undermine economic policies and regulatory measures aimed at strengthening domestic economies, jobs and livelihoods and civic rights. This includes abandoning those policy conditions that favour the private sector and undermine the strengthening of public services and the delivery of public goods.
- The WBG should make sure its emergency and long-term programmes are consistent with and strengthen climate resilience and the shift to low carbon pathways.
- The IFC should commit to publicly disclosing the ultimate recipients of its support and what this assistance is used for. This would ensure that IFC programmes help preserve employment and do not serve to bail out private financial institutions.
- The IFC should stop its support to commercial private health facilities that undermine public system building and that arguably has pernicious implications for women, lower-income or vulnerable populations.

Long term measures

Given the problematic track-record of the MFD, the WBG should seriously re-evaluate this approach. If the institution wishes to "build back better", it needs to consider the broad implications of its agenda and, instead, move towards a human rights-based approach that builds resilience and strengthens public systems.

At its core, this will require adequate levels of public finance to be achieved through, among other things, tackling tax avoidance and evasion and by using ODA to strengthen the provision of public services. The WBG, as a leading development actor, has to play its part and rethink its approach to blended finance. Immediate cancellation of debt payments should be linked to a more comprehensive approach to debt crisis resolution under the auspices of the United Nations (UN). The implementation of these measures would allow for an equitable and resilient recovery in line with the SDG and Paris commitments.

1. Introduction

In recent years, most discussions about development finance have focused on using public money and institutions to leverage private finance. The World Bank Group (WBG) has been a lead player in this field and its Maximising Finance for Development (MFD) approach is perhaps the most widely known example of this. The WBG's MFD approach has structured the Bank's operations since 2017 and its implementation is an indication of the institution's commitment to increasing the involvement of the private sector in development. An important objective is to attract trillions of dollars managed by private institutional investors to help finance the Sustainable Development Goals (SDGs). "De-risking" private finance is central to this approach. The agenda argues that "better and smarter Official Development Assistance (ODA) can help catalyse and leverage financing from diverse sources towards the SDGs".[1] Various instruments have been rolled out to operationalise the blending of public and private finance (blended finance) approach at the heart of this new agenda. These include guarantees, subsidies, first-loss equity positions and public-private partnerships (PPPs).[2]

The use of ODA (or donor funds) to mobilise private finance is not new to the WBG's private sector lending arm, the International Finance Corporation (IFC), which has had a blended finance portfolio since the late 1990s. However, in 2017, this became central to its corporate strategy (IFC 3.0)[3] and, that same year, the WBG launched the IDA Private Sector Window (PSW), which constituted a significant scaling up of its efforts to mobilise aid resources in support of private investment in low-income countries (LICs) and fragile and conflict-affected states (FCSs). Subsequently, the capital increase approved by WBG's shareholders in 2018 came with specific and ambitious targets to move this agenda forward,[4] despite multiple critiques of the central tenets of the approach.[5]

At the outbreak of the Covid-19 pandemic, the WBG was called upon to respond quickly, as the demand for support from developing countries increased dramatically. In March 2020, the WBG announced a US$ 14 billion package of fast-track Covid-19 financing (FTCF) to support countries and companies in their efforts to manage the negative impacts of the pandemic. Moreover, as the crisis projected a major global recession, the Bank announced that a further US$ 160 billion would be committed over the next 15 months.

This briefing analyses the response of the WBG to the Covid-19 pandemic. It does so by presenting first, in Section 2, the WBG's MFD approach to development finance as its pre-existing strategy. The paper then proceeds, in Section 3, with a brief account of the WBG's response to Covid-19, which is followed, in Section 4, by a critical analysis. This reveals a persistent prioritisation of private over public interests by the WBG, both in the immediate pandemic response and beyond, as the pandemic offers the institution an opportunity to accelerate its MFD approach. Furthermore, the WBG's commitment to the promotion of private finance is likely to be compounded by the limited fiscal space that developing countries will face in the post-Covid-19 context. Section 5, then, illustrates in further detail the possible ramifications of this approach for Kenya. Kenya is a long-standing client of the WBG and a pilot of its MFD approach. Closer scrutiny of the details of the WBG's engagement with the country allows for an in-depth analysis of some of the fundamental issues inherent in the promotion of private over public interests. The final section concludes and provides concrete policy recommendations.

2. Maximising finance for development at the World Bank Group

Over the last decade, the WBG has been a lead player in reorienting development cooperation so that it becomes focused on using public money and institutions to leverage private finance.[6] This was evidenced in the run up to the Third United Nations Conference on Financing for Development, resulting in the Addis Ababa Action Agenda (AAAA), which put the private sector at the heart of the UN's strategy to finance the SDGs. The WBG, together with its sister institution, the International Monetary Fund and five major multilateral development banks explicitly argued for development finance in the post-2015 era to become centrally organised around the "blending" or "leveraging" of private finance by public resources.[7] A key document, "From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development", advocated for a "paradigmatic shift" building on the proposition that "the world needs intelligent development finance that goes well beyond filling financing gaps and that can be used strategically to unlock, leverage and catalyse private flows and domestic resources".[8]

The core idea of this approach is to mobilise ODA to de-risk private flows. Public sector measures are considered necessary to encourage private investment as they seek to decrease perceived risk or increase anticipated returns.[9] These measures can take various forms, from offering technical advice on how to reform policies and institutions in a particular country and/or sector, to taking first equity loss positions or providing loans to private sector agents at subsidised rates.[10]

This approach reflects an unwillingness of the donor community to scale up and strengthen public financing of development, or at least to meet previously agreed commitments to deliver 0.7 per cent of gross national income in aid. It also suggests reticence to create a global body through which tax issues could be resolved to tackle massive tax avoidance and evasion, which is detrimental to countries in the global south. Without these measures, progress on the SDGs relies solely on limited ODA acting as a catalyst for increased private investment. It has become commonplace in donor rhetoric to hear that "the contribution of the private sector to achieving development gains must be scaled up, particularly in the poorest countries".[11]

The WB's MFD approach, launched formally in 2017, is a good example of the push to increase the private sector contribution. The MFD, previously called the "Cascade approach", was set out as the vision for the WBG for 2030.[12] Under the MFD approach, private finance is preferred as a first option for "sustainable" investment. If this cannot be accessed, governments and donors need to consider if upstream interventions "to address market failures" can lead to a flow of private finance. These measures include reviewing country and sector policies, regulations, pricing, institutions and capacity. Failing this, the next option is to consider the potential for various blended finance instruments like guarantees, other risk-sharing instruments and PPPs, to attract private investors. Only as a last resort should policy makers turn to public finance. This was affirmed by Philippe Le Houérou, Chief Executive Officer of the IFC at the launch of its new strategy (IFC 3.0), when he explained: "Only when all of these possibilities are exhausted, should we seek to use the limited sources of public finance".[13] This approach, initially focused on infrastructure, is expected to be expanded to finance, education, health and agribusiness. To implement this strategy, nine pilot countries were identified: Cameroon, Cote d'Ivoire, Egypt, Indonesia, Iraq, Jordan, Kenya, Nepal, and Vietnam. In addition, according to the WB, MFD-related pilot engagements are underway in countries like Peru and Sri Lanka.[14]

The MFD approach is an integral part of a broader institutional effort to create markets and crowd-in private finance. In particular, the MFD complements the IFC 3.0 corporate strategy, whose "success [...] requires the active involvement and collaboration of the WB in creating enabling policy and regulatory environments and on de-risking the private sector's entry into these environments".[15] Interestingly, the MFD came with a call from then-WB president Jim Kim for a capital increase for the institution. As Kim put it when addressing WBG shareholders: "To deliver what countries need at the scale you expect of us – we need more resources [...] We can play a critical role in finding win-win solutions, where we maximize financing for development, and create opportunities for the owners of capital to make higher returns".[16]

Despite not receiving initial support from the United States (US) Treasury, a capital increase was finally approved by WB shareholders in April 2018.[17] The capital increase was accompanied by a policy package,[18] which outlined four key pillars for WBG operations: (a) serve all clients; (b) create markets; (c) lead on global issues; and (d) improve the business model. While WBG shareholders referred to this as "a transformative package", in reality, there was little new in it. Instead, the capital increase served to endorse the MFD and the WBG's role in advancing the AAAA, while it helped translate policy objectives into policy targets.[19] One such target is the IFC's pledge to deliver 40 per cent of its annual commitments in IDA countries and FCSs.[20]

The WB took an active role in promoting the MFD across Multilateral Development Banks (MDBs) and its principles were subsequently adopted as the Hamburg Principles, which provide a "common framework among MDBs to increase levels of private investment in support of development".[21] As such, the MDBs have agreed to focus their operations in three main areas:

i. continue to strengthen investment capacity and policy frameworks at national and subnational levels

ii. enhance private sector involvement and prioritise commercial sources of financing

iii. enhance the catalytic role of the MDBs themselves

At the WBG, a scorecard system tracks performance on private mobilisations[22] and staff incentives have become tied to success in this regard.[23] The donor community's strong commitment to the approach is emblematic in the Organisation for Economic Co-operation and Development's (OECD) redefinition of how to measure ODA, as part of which donors reached a provisional agreement in December 2018 to include private sector instruments, such as equity investments and guarantees typically offered to private companies in the reporting of ODA.[24] Moreover, the new statistic of Total Support for Sustainable Development, aimed to increase transparency of different flows, seeks to include official resources to mobilise private development finance. This measure would also "potentially cover private resources mobilised through public schemes, as well as the activities of diverse financial intermediaries, including collective investment vehicles and venture capital funds".[25]

The WBG's strategic use of blended finance took on a specific form when, during the 2017-2020 replenishment of its concessional arm (the International Development Association, IDA18[26]), donors agreed to create a US$ 2.5 billion pilot IFC-MIGA [Multilateral Investment Guarantee Agency] Private Sector Window (PSW).[27] The PSW places donor aid resources under the direct control of the IFC (US$ 2 billion) and MIGA (US$ 0.5 billion) to support their attempt to mobilise private investments in low income and fragile country contexts. Although the PSW represents a small fraction of IDA18 for the WB, it serves as an "illustration of how the World Bank Group is putting the Finance for Development (FfD) agenda into action".[28] IDA18, therefore, represented an important step in implementing the WBG's vision of MFD,[29] also including the possibility of IDA to raise funds from capital markets, with the first IDA bond raising US$ 1.5 billion from investors in April 2018. However, raising funds in capital markets has recently raised concerns by representatives of the United States Congress regarding the financial viability of the IDA.[30]

For the IDA, the PSW provides an opportunity "to make strategic use of public resources to catalyse private investments in these challenging markets, by leveraging IFC's and MIGA's business models and client relationships".[31] Its creation was seen as complementing the WB's more traditional work via its public sector concessional window, IDA, which itself seeks to promote policy reforms to improve "business environments", by now allowing it to de-risk private investments more directly.[32] What this means in practice, is that aid resources are used to attract and subsidise private sector investments to operationalise a strategy that sees the private sector as key actor to improve development outcomes in low income and fragile country settings.[33] The PSW institutionalises WBG-wide collaboration that seeks to harness public resources for the private sector. This was seen as essential to achieve the SDG 2030 Agenda: "Making progress on the 2030 Agenda will require a paradigm shift, one in which scarce ODA serves as a catalyst for increased private sector investment".[34] It should also be noted that while, previously, the IFC delivered hundreds of millions of its profits in support of IDA lending, it is now a net recipient of IDA funding. At the same time, a smaller share of its investments reaches IDA countries.[35]

For the IFC, the IDA PSW represented a significant development and opportunity to craft a key role for itself in the blended finance landscape. Where it had previously managed smaller pilot blended finance schemes, mainly with an emphasis on climate finance,[36] it was now endowed with substantial donor resources to mobilise in support of its new strategy. The PSW became a "critical component" of the IFC 3.0 strategy "to tackle private sector challenges by creating markets and mobilisation".[37] This was combined with the idea that the de-risking mechanisms would assist in "unlocking" new sources of funds from institutional investors.[38] Indeed, the "From Billions to Trillions" agenda sought to capitalise on matching large (unused) savings to de-risked investment opportunities in LICSs.[39]

Despite being celebrated as emblematic of the WBG's MFD, and instrumental to deliver the IFC 3.0 strategy, the IDA PSW did not fulfil expectations.[40] By late 2019 (just six months before the US$ 2.5 billion IDA PSW should have been fully allocated), the PSW had committed just over US$ 0.5 billion – only slightly more than a fifth of the resources available to it.[41] Significant concerns were raised regarding the lack of transparency in the way in which aid subsidies were finding their way to private firms via the PSW. As Charles Kenny, senior fellow at the Center for Global Development, put it: "Taxpayers as well as supposed beneficiaries have the right to know how PSW aid is being used".[42] United States (US) Congresswoman, Maxine Waters, Chair of the US House Committee on Financial Services, led the charge. She claimed that the IDA PSW was "subsidizing private firms selected without competition on the basis of unsolicited proposals." And suggested that the PSW was "likely to prioritize financial returns over positive development impacts, which [would] be difficult to monitor." She added that the PSW "stands in conflict with the World Bank's own principles that call for subsidies to be justified, transparent, competitively based, focused on impact, and guarded against rent-seeking opportunities").[43] This was followed by the threat of withholding Congressional support for the IFC's capital increase that had been agreed in 2018, unless "these transfers stop, or at a minimum are competitively based and fully transparent down to the amounts and purpose of aid going to which firms and projects".[44]

These objections reflected more general concerns regarding blended finance. These range from: limited private sector mobilisation, inadequate risk sharing, lack of financial additionality, lopsided leverage ratios, unconvincing development impact, lack of transparency and accountability, high cost of investments, the creation of new liabilities, limited domestic ownership, and various types of conflicting interests, not to mention the little appetite of private investors for low income and fragile country settings and hence their low share of blended finance.[45] Nevertheless, the IDA19 replenishment, concluded in December 2019, saw a renewal of the PSW as part of the agreement to finance the WB's aid activities for the period of July 2020 to June 2023. However, at the same time, the PSW's resource envelope was held constant (at US$ 2.5 billion), reflecting donor unwillingness to scale up the approach.[46]

3. The Covid-19 pandemic and the World Bank Group response

As Covid-19 started to wreak havoc in early 2020, successive governments locked down their economies for months on end. The measures to contain the health crisis triggered economic and social crises of unprecedented proportions, with women disproportionately impacted.[47] This came in addition to increasing inequalities and the continued negative impacts of climate change.

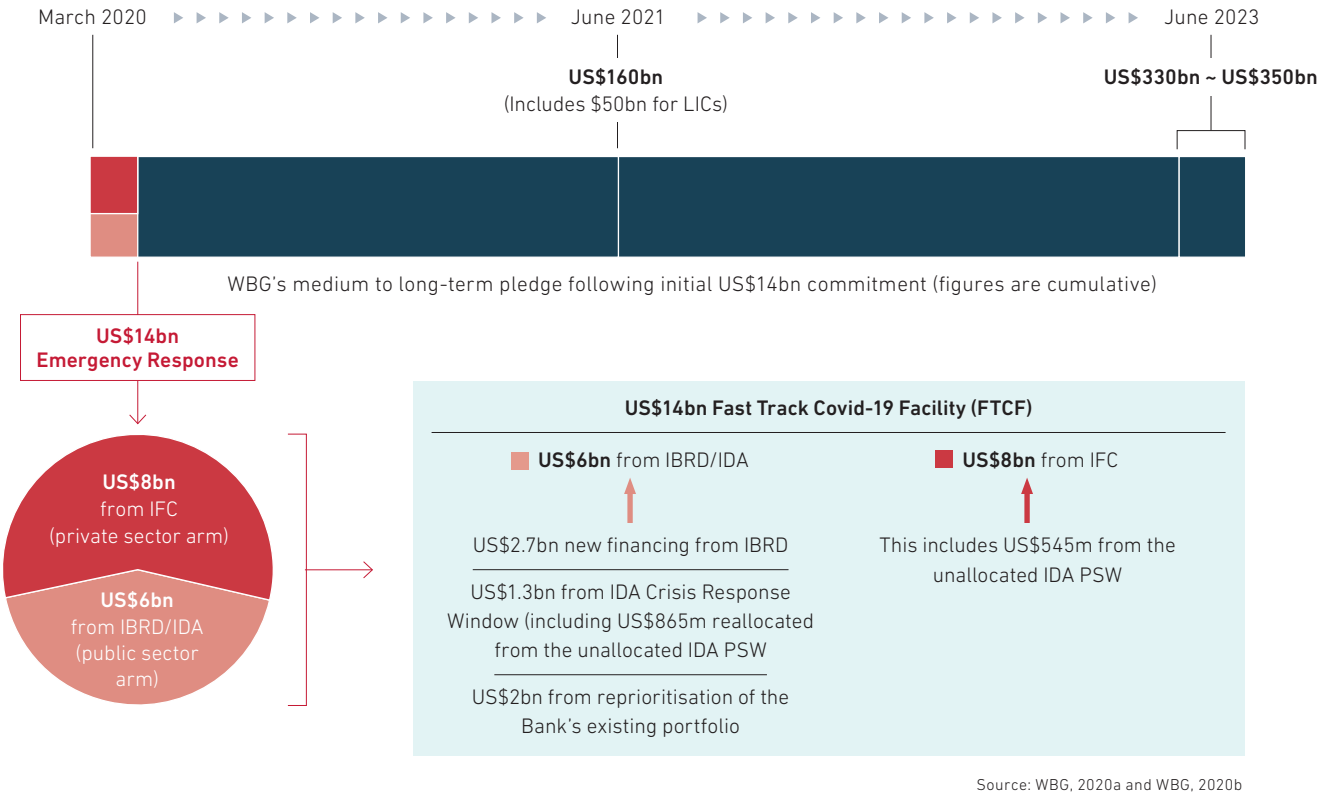
In April 2020, the IMF warned the world about the scale of the crisis, saying that "the global economy will experience the worst recession since the Great Depression",[48] prompting calls from the global community to "build back better". The WBG estimated that the additional financing needs for developing countries arising from the crisis would be exceptionally high and likely to persist.[49] The WBG's latest poverty projections suggest that by 2021, an additional 110 to 150 million people will have fallen into extreme poverty, living on less than US$ 1.90 per day.[50] In September, the United Nations Commission for Trade and Development argued that "there is a very serious danger that the shortfall will drag developing countries into another lost decade ending any hope of realizing the ambition of the 2030 Agenda for Sustainable Development."[51] Furthermore, decades of austerity policies and privatisation strategies have long undermined public health systems and stifled progress on universal social protection, which has undoubtedly fuelled the dramatic global fallout from the Covid-19 pandemic.[52]

The WBG quickly introduced measures that sought to mitigate both the immediate health emergency, as well as the longer-term fallout from the major disruption to traditional economic and social life. In mid-March 2020, it approved a US$ 14 billion Fast Track Covid-19 Facility (FTCF) for an emergency response to the virus (see Figure 1). This constituted "the largest and fastest crisis response in the Bank Group's history".[53] It entailed the approval of "specific waivers and exceptions required to enable the rapid preparation and implementation of country operations processed under the Facility".[54] Moreover, as the crisis projected a major global recession, the Bank committed to provide US$ 160 billion in finance over the next 15 months, with US$ 50 billion for LICs, and US$ 330-350 billion by the end of June 2023.

A closer look at how the FTCF resources were distributed inside the WBG reveals a preference for private sector activities (see Figure 1). While US$ 6 billion was to be disbursed through the public sector arms of the WB (the IBRD and IDA) to strengthen national systems, including health, education and social protection, the larger share of this package (US$ 8 billion) was to be channelled through the WBG's private sector arm, the IFC. According to the WBG, "the IFC will provide direct lending to existing clients affected by the outbreak, as well as support financial institution partner clients so they can continue lending to businesses".[55] It was the WBG's assessment that "[t]he developing world needs private sector investment now more than ever".[56] This was consistent with the IFC's strategic goal of promoting private investment, including by mobilising aid resources via the IDA PSW (World Bank and IMF 2020). The IFC also announced a massive expansion of its upstream work, i.e. to set the policy and regulatory framework for private projects, including hiring 200 new staff to identify and create bankable projects in developing countries.[57]

Decades of austerity policies and privatisation strategies have underminded public health systems

Figure 1: World Bank Group's response to Covid-19



Source: WBG, 2020a and WBG, 2020b

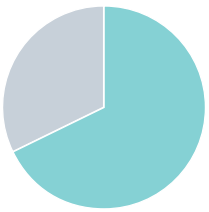
Figure 2: IFC's Covid-19 emergency response

IFC Fast-track Covid-19 financial support consists of four financing facilities

- **Support to the financial sector**
  - Working Capital Solutions
  - Global Trade Finance
  - Global Trade Liquidity
- **Support to other sectors**
  - Real Sector Crisis Response

Source: IFC website

IFC Fast-track Covid-19 projects by sector (in value terms), by late June 2020



- Financial institutions
- Real sector companies (private healthcare, agri-business/food processing, and others including tourism)

Source: IFC Covid-19 response projects database, according to publicly available information as of 10 August 2020.

IFC Fast-track Covid-19 projects by type of companies, by late June 2020

- Either majority owned by multinational companies or are themselves international conglomerates
- Mostly locally owned, usually large companies

Source: IFC Covid-19 response projects database, according to publicly available information as of 10 August 2020.

Between March and late June, which marks the end of the WBG's 2020 fiscal year, the IBRD and IDA, the public sector windows of the WBG, had approved Covid-19 related operations in 108 countries, including 33 FCSs.[58] New commitments totalling US$ 3.8 billion financed governments' purchases of health equipment, personal protective equipment and training, while an additional US$ 2.5 billion was redirected towards the Covid-19 response from an existing portfolio of operations under implementation. This reallocation raised concerns of possible future funding inadequacies in the absence of adequate funding commitments for the recovery period.[59]

Meanwhile, the IFC organised its Covid-19 response alongside four facilities: Working Capital Solutions, Global Trade Finance, Real Sector Crisis Response and Global Trade Liquidity. With the exception of the Real Sector Envelope, these facilities are dedicated to supporting financial intermediaries (see Figure 2) and, by late June 2020, funding commitments amounted to US$ 3.5 billion.[60] Publicly available information indicates that during the period between early April and late June 2020,[61] 38 individual projects were approved, some of which benefit from aid support via the IDA PSW. Indeed, the IDA PSW dramatically accelerated commitments as part of the Covid-19 IFC response: the PSW saw an envelope of commitments (just over US$ 0.5 billion[62]) between April and late June equivalent in size to all its commitments in the preceding two and a half years.[63] The IFC was explicit that "to ensure that it continues to support private sector development in low income and fragile and conflict-affected countries, strong emphasis will be placed on supporting clients operating in these countries. In addition, the IFC will leverage concessional financing from the IDA PSW [...] particularly to attract foreign direct investment into more challenging low income and fragile countries".[64] Interestingly, various high-level WBG staff emphasised how the pandemic presents a unique opportunity to mobilise blended finance.[65]

Furthermore, in April 2020 the WB's shareholders and the G20 Finance Ministers endorsed the Debt Service Suspension Initiative, acting on a pressing issue for developing countries. They agreed on the suspension of bilateral official debt service to G20 countries of 73 eligible low-income countries and called on private creditors to participate in the initiative. However, the WB limited its action to compel only bilateral donors to grant debt relief to the world's poorest countries.[66] As for relief on debts owed to the WB, its President expressed the reluctance of the institution, arguing that this would risk its AAA credit rating. Instead, he called for more donor contributions to facilitate action[67] – a position that drew strong criticism from CSOs.[68]

4. In sickness or in health: "Maximising Finance for Development" forever

A detailed analysis of the first four months (March to late June 2020) of the WBG's response to the Covid-19 pandemic raises several issues and reveals how this pandemic provides an opportunity for the institution to enhance and accelerate its broader MFD agenda.

Public versus private sectors in the World Bank Group Covid-19 response

The WBG Covid-19 response favours private sector clients over the public sector. The large allocation to the IFC via the FTCF, at almost 60 per cent, is not consistent with the WBG's traditional trends in terms of commitments to public versus private clients. Over the last five years, its private sector operations via the IFC accounted for around 17 per cent in total commitments compared to the combined share of commitments via its public sector operations of around 70 per cent.[69] Furthermore, the large share of the IFC in the FTCF is conflicting with multiple calls across the policy spectrum for stronger public systems, without accounting for the implied opportunity cost that every US dollar spent on de-risking or leveraging cannot be spent in support of public systems.

Moreover, the WBG's Covid-19 response reveals conflicting demands on the aid resources that were unused in the IDA PSW by the time the pandemic unfolded (see Figure 1). These resources amounted to around US$ 1.4 billion at the start of the pandemic, of which US$ 865 million were reallocated away from the PSW to IDA's Critical Response Window to support IDA's health Covid-19 pandemic response.[70] This raises the question as to why all remaining resources of the PSW were not reallocated to the WB's aid response to governments via IDA. If this had been the case, global capacity to respond to the health emergency and its social and economic fallout would have been bolstered, as opposed to banks and private companies benefitting from a significant surge in available resources.

Furthermore, despite repeated calls to strengthen public sector capacities to respond to the health crisis, the IFC announced the creation of a US$ 4 billion Global Health Platform "to directly support the private sector's ability and capacity to deliver healthcare products and services and to respond to the immediate and longer-term challenges to developing countries' already vulnerable health systems affected by Covid-19, thereby increasing the resilience and impact of developing countries' healthcare systems".[71]

This situation increases the tension between the institution's twin goals of ending extreme poverty and promoting shared prosperity. Indeed, the FTCT response unfolded despite shareholders' explicit demands at the 2020 Spring Meetings for the WBG to "help governments deploy resources toward public health interventions, nutrition, education, essential services, and social protection against the immediate adverse effects of the shocks." Shareholders also expressed support for the "WBG's emphasis on boosting government preparedness to protect human capital against potential subsequent waves of the outbreak and future pandemics" and stressed that "[efforts] should place special focus on fragile situations, small island states, and the poorest and vulnerable people in all countries, with attention to gender issues" (our emphasis).[72]

Who benefits?

This analysis has identified the following types of clients as those who benefit from the IFC Covid-19 response (see Figure 2).

- The financial sector: In its design, 75 per cent of the US$ 8 billion FTCF earmarked for the IFC is meant to support the financial sector. According to publicly available information, by late June 2020 (covering the first four months of the WBG's pandemic response and the close of its 2020 fiscal year), about 68 per cent (in value terms) of committed IFC Covid-19 projects targeted financial institutions. These are predominantly banks – with one beneficiary being a very large global bank, another the largest Mongolian microfinance institution and another a very large SME-oriented group of commercial banks with headquarters in Germany.
- The non-financial sector: the remaining IFC commitments have benefited non-financial companies in the following sectors: private healthcare; agri-business/ food processing; and others, including tourism, for instance, Shangri-La Asia a leading owner and operator of hotels and resorts in Asia.
- Type of clients: All the beneficiaries are existing IFC clients and are privately owned (with the exception of an Indian company). The IFC holds equity positions in some of the FTCF-targeted companies, which also indicates that the IFC itself is benefiting from these schemes (see examples in Box 1 and in Section 5 on Kenya).
- Type of companies: Around 50 per cent of IFC supported companies are either majority-owned by multinational companies or are themselves international conglomerates. The rest are mostly locally owned, usually large companies, in terms of size and/or market share, and many are listed in domestic stock exchanges. For instance: Nyva, which is the second largest market player in the Ukrainian industrial pork market;[73] the PRAN Group, which is the leading branded food and beverage group and the largest agro-processor in Bangladesh.[74] Finally, there is the MCS, which is one of the largest diversified business groups in Mongolia with 10 subsidiaries in several business sectors, including energy, infrastructure, information technologies, soft drinks, and property development.[75]

Box 1: Examples of IFC Covid-19 projects

A US$ 8.35 million concessionary loan (via the IDA PSW) to a French-South African multi-national joint venture (Cerba Lancet Africa), owning a network of private clinical diagnostic laboratories across Sub-Saharan Africa, to support its expansion on the continent including through the acquisition of existing labs.

A US$ 4 million loan (with IDA PSW support) to the activities of the healthcare subsidiary (Ciel Healthcare) of a Mauritian conglomerate, which has operations in Mauritius, Uganda and Nigeria.

A US$ 9 million loan (also with the possibility of drawing on concessional finance) to the largest private Technical and Vocational Education provider in Jordan (Luminus) – and previously IFC poster child "combining purpose with profit" (IFC 2018b).

A loan of up to US$ 100 million to a leading Nigerian bank (Zenith), the board of which was considering distributing an interim dividend for shareholders at the same time as receiving financial assistance from the IFC.

A US$ 50 million loan to Garanti BBVA – Turkey's second largest bank, which is majority owned by BBVA Spain, one of the biggest global banks in the world.

While this is only a small sample of IFC Covid-19 projects, these transactions draw attention to the type of clients and activities that are benefiting from IFC (and IDA) resources under the fast track Covid-19 response.[76]

Specifically, our analysis raises questions regarding whether the countries, sectors and clients most in need are actually being reached with support from the IFC. The emphasis on the financial sector relies on the assumption that it is imperative to protect the financial system as a way to reach MSMEs. This indirect approach is favoured despite the challenges it brings with regard to reaching micro and small enterprises in the poorest countries,[77] let alone the poor, particularly given the high degree of informal sector work in many developing countries.[78] Furthermore, as our analysis indicates, around 50 per cent of IFC Covid-19 support went to beneficiaries that are either majority owned by international groups or are themselves international conglomerates. This is consistent with findings by academics that reveals that IFC lending tends to favour companies from major IFC shareholders based in the global north,[79] and raises questions regarding the alleged additionality and development impact of IFC resources. Also, while the IFC has committed to deliver 40 per cent of its annual commitments in IDA countries and FCS, its support to these countries has remained low over the last five years, indicating the IFC's low tolerance for risk.[80] At the same time, there is little evidence that these investments benefit the poorest and most vulnerable. A 2019 evaluation report states that "creating markets in a manner that allows the poor to participate in markets or benefit from such efforts has remained a challenge [...] Evidence of the direct welfare implication of market creation efforts for the poor is lacking".[81]

Furthermore, as a result of increasing CSO pressure (see the example of Kenya in Section 5), in early March, the WBG committed to enact a "freeze on direct investments in private for-profit K-12 [from kindergarten to 12th grade] schools [...], which will also apply to any advisory and indirect investments through new funds, including with existing clients." The announcement also called for an evaluation to be carried out by the WB's Independent Evaluation Group, to look at the impacts of such schools on educational outcomes, access, poverty and inequality. This is a "milestone decision" that results from growing recognition of the negative impacts of private, for-profit education, which needs to be closely monitored.[82] However, in the context of the Covid-19 pandemic – which has resulted in an education crisis – the WBG continues to play an active role in the education sector by supporting tertiary education (see the case of Luminus in Box 1) and disseminating a problematic vision of education, through its "knowledge products", that supports an increased role of for-profit providers.[83]

Transparency, accountability and participation challenges

The WBG's response to Covid-19 poses clear implementation challenges with regard to the transparency and accountability of its operations and stakeholder engagement, particularly at the national level. The fast track facility grants specific waivers and exceptions to enable rapid preparation and implementation of programmes processed under the facility.[84] This clashes with transparency commitments[85] and with adequate stakeholder engagement practices that seek to ensure informed public consultations and active civil society participation. With increased pressure to "get money out the door", there has been very limited (if any) stakeholder engagement as projects are rolled out.[86] This is even more concerning given how the pandemic has constrained freedom of movement[87] and the shrinking of civil society space in many countries for local communities opposing development projects (notably, large infrastructure projects that imply community displacement).[88]

It is worth noting that in response to ongoing criticism regarding the lack of transparency and accountability of IFC operations, the WBG President assured shareholders, and in particular the US, that it would increase the transparency and effectiveness of IFC operations. As part of the congressional approval for the IFC capital increase,[89] the WBG President agreed to a set of reform commitments, including greater transparency with regard to the IFC's financial intermediary portfolio and IDA subsidies that the IFC gives to private firms to ensure that more subsidies are awarded on a competitive basis.[90] This was a clear victory of CSOs that have long campaigned for greater transparency "to promote stronger due diligence in higher risk investments made by IFC's commercial bank clients, in particular to ensure the environment and communities are not being negatively impacted and that there is accountability when they are."[91] In the context of the Covid-19 pandemic, there is still significant information missing to provide a full picture of who benefits from the IFC support to the financial sector.

Structural reforms persist

Although support from the Bank's public sector windows has been portrayed as aiming to strengthen public health systems, **recipient countries are urged not to forego "structural reforms" focused on liberalisation and deregulation.** The WBG President insisted in his address to the G20 Finance in late March: "Countries will need to implement structural reforms to help shorten the time to recovery and create confidence that the recovery can be strong. For those countries that have excessive regulations, subsidies, licensing regimes, trade protection or litigiousness as obstacles, we will work with them to foster markets, choice and faster growth prospects during the recovery".[92]

Indeed, while most of the IBRD/IDA loans (and grants) approved in this period seek to address the health crisis, others have a broader scope and include more traditional reforms in support of the private sector. These include:

- Safeguarding the implementation of reforms that enhance foreign private sector participation in the national economy (in energy, logistics and telecommunications in Ethiopia.
- Generating private investment and enhancing public sector capacity to deliver on the government's inclusive growth agenda in Kenya.
- Fostering private participation in gas infrastructure and telecommunications in Senegal.
- Developing reforms "that are expected to support economic diversification by enhancing openness and attracting more investments into key sectors, relaxing trade barriers, reforming State Owned Enterprises (SOEs) and increasing infrastructure investment" in Indonesia.
- Removing "barriers to private sector development" and promoting "public sector efficiency and fiscal sustainability post-crisis", which implies containing the public wage bill in Ecuador."[93]

This indicates a strong and continuing commitment by the WBG to a market-driven approach which, among other things, has resulted in adverse health outcomes and has had negative impacts on gender equality.[94]

The persistent commitment to private finance at the heart of development proceeds without a clear analytical or empirical rationale

One WBG in support of the private sector

Moving forward, **the WBG aims to capitalise on its One WBG strategy which was launched in 2013 to strengthen synergies across its different affiliates in support of scaling up private sector solutions.**[95] As highlighted in a WBG Covid-19 Crisis Response Approach Paper projecting the WBG's "longer duration approach" to the crisis response: "the approach emphasises selectivity and public-private joint interventions to scale up private sector solutions while staying focused on results".[96] While the WBG emphasises its explicit commitment to "achieving resilient, inclusive and sustainable recovery in a world transformed by the coronavirus",[97] its approach is strongly characterised by a persistent, and reinvigorated, celebration of private over public sector solutions to development challenges. The prejudice against the public sector remains staggering, despite a dearth of analytical or empirical evidence to underpin such a strong bias. The inclusion of "stronger public involvement in the economy" in its summary of possible long-lasting negative consequences of the pandemic is emblematic of this problematic bias.[98] This combines with an emphasis on private sector solutions in its approach to "rebuilding better". The WBG insists that the fiscal headroom and debt capacity of developing countries are likely to be constrained post crisis which becomes its renewed rationale for further promoting private sector solutions.[99]

The WBG is explicit about its strategy: "It will be important to crowd-in private participation in delivery of certain public services and infrastructure. [...] Governments can devise public-private schemes that leverage public and private resources and capabilities [...] Governments can establish dedicated PPP units, as well as develop PPP legal frameworks, guidelines, operating procedures and tools [...] Levelling the playing field and enabling greater competition in local markets, especially in sectors that tend to be dominated by SOEs, could improve service delivery, lower costs and increase domestic revenue mobilization through privatization, dividend distribution, royalties and concession fees, as well as general corporate taxes".[100] Furthermore, the WBG forewarns us that it will be selective in its support and will give priority to "sustainable private sector solutions where possible".[101] So, rather than exploiting the opportunities provided by the Covid-19 crisis for a comprehensive overhaul, including promoting a fairer tax system and advocating for comprehensive debt relief, both of which would strengthen the public sector's capacity to rebuild better, the fragilities of the public sector will be exploited to continue to promote private sector solutions.

Our analysis suggests that the WBG sees this pandemic as an opportunity to supercharge its agenda of Maximising private Finance for Development. This includes a focus on PPPs (through advisory services, policy guidelines and finance),[102] as a way to finance infrastructure and public service provision, which proceeds despite weak evidence to support this approach and fast-growing literature denouncing its multiple risks.[103] WBG support for PPP-related projects has indeed proceeded apace during the Covid-19 crisis. The IFC has advised road PPP projects in Brazil, a PPP project in renewable energy in India, a healthcare PPP project in Vietnam, and offers support in developing pipelines of unsolicited PPP proposals, which are those conceptualised by private companies instead of the public sector, with a US$ 1.4 billion advisory services project. The WB has supported governments to advance reforms aimed at de-risking private investment and advancing the PPP agenda in Nigeria, Kenya and Uganda.[104] As the Global Director of Infrastructure Finance, PPPs and Guarantees Group at the WB, Imad Fakhoury, explains: "The reality is that we need more resilient PPP and contractual frameworks going forward. PPPs, as a means to deliver infrastructure, are in constant evolution, as is governments' capacity to effectively procure and implement them. Continued focus on the development of infrastructure as an asset class will help move this along."[105]The WBG hopes to accelerate government actions that facilitate its MFD agenda, including "to mutualize risks, reform underperforming sectors, level the playing field with subsidy removals, open up competition, and provide guarantees and other forms of risk mitigation and credit enhancement".[106]

This persistent commitment to private finance at the heart of development proceeds without any clear analytical or empirical rationale[107] and raises a host of issues that have been highlighted by academics and CSOs for many years.[108] These range across fiscal liabilities as risks remain with the public sector, fragmentation of public service provision, cherry-picking by private investors, lack of context-specific design of public service provision, worsening employment conditions in privately financed public sectors, higher costs of, and inequitable access to public services, redistributions from households in developing countries to shareholders of privately financed public services against the backdrop of historic inequality, lack of flexibility due to long-term contractual terms, and so forth.[109]

The next section examines the effects of privileging private over public agents in the Kenyan context. We focus on Kenya as a pilot country of the WB's MFD approach and a recipient of a range of WBG instruments.

5. Maximising Finance for Development at work: Kenya as a pilot country

Kenya is a long-standing client of the WBG and was selected as one of nine pilot countries of the MFD approach in 2017.[110] This means that the WBG is working closely with its government to crowd in the private sector, "while optimising the use of scarce public resources".[111] The selection of Kenya as a pilot builds on its long-standing relationship with the WB and implies a more consistent approach to market creation – work that was already ongoing prior to 2017. In this section, we reflect on the implications of private sector bias within the Kenyan economy, including public service provision. This has several dimensions and speaks to the multiple roles of the WBG, including as a financier, advisor and standard setter.

Since early 2010s, the WB has approved several loans to shape Kenya's national regulatory framework in support of PPPs. A 2012 WB loan (US$ 40 million) was approved "to increase private investment in the Kenya infrastructure market across sectors and to sustain this participation over an extended period of time".[112] To that purpose the loan finances policy reforms to create an "enabling environment" for PPPs, so that a pipeline of bankable projects can be produced. This involved technical support to change the PPP legal regulatory and financing environment and support for the preparation of individual PPPs. The loan resulted in a new PPP law, the creation of a PPP Unit, which works under the National Treasury to promote and oversee the implementation of PPPs. The loan also covered large outlays for various advisors, with tenders for transaction advisors still pending when this paper was published, each in excess of US$ 1 million, including for hospital PPPs, toll road PPPs, and a bridge PPP.[113] Moreover, a 2017 WB loan (US$ 50 million) supported a project facilitation fund to finance viability gaps. This is to "make projects more attractive to private investors and act as a liquidity reserve for contingent liabilities".[114] As of January 2020, all this work had translated into a pipeline of 80 PPP projects in different sectors, including in transport, energy, health, education and environment, water and natural resources.[115]

Furthermore, as part of the implementation of the MFD, the WBG released the Country Private Sector Diagnostic for Kenya in 2019. This is a tool designed to "assess opportunities for and constraints to private-sector led growth".[116] The report "sheds light on how the private sector can more effectively contribute to advancing the country's development goals" and "seeks to inform World Bank and IFC strategies, paving the way for joint programming to create markets and unlock private sector potential".[117] The report focuses on sectors like energy, health, information computer technology and transport and includes specific policy recommendations, such as "enhancing the business enabling environment", "strengthening competition policy and removing barriers to market entry" and "linking the formal and informal sectors". The report highlights how "prospects for PPPs are favourable in equipment supply, e-health, training and education, health insurance, and the establishment of new private hospitals".[118] Despite the comprehensive approach by the WBG to market creation and promotion of private sector involvement across different sectors in Kenya, important questions arise regarding its implications for core public sector provisioning.

Health

The IFC has persistently played an active role in developing a market for healthcare providers across Africa, while the Kenyan government has been encouraged to pursue health PPPs for many years.[119] For instance, in 2009, the IFC launched the Health in Africa initiative, a US$ 1 billion investment project whose stated objective was to improve access to healthcare. This initiative included the Africa Health Fund and Investment Fund for Health in Africa which, through financial intermediaries, invested in insurance companies and private clinics.[120] This model of health finance has raised several concerns as it reveals significant policy incoherence and can fuel inequality.[121] In particular, a 2014 Oxfam study found no evidence that either fund targeted low-income users in practice or measured their attempts to do so.[122]

Moreover, in 2010, the WB "found that the private commercial health sector has the potential to play a greater role in providing quality care to Kenyans".[123] A report, entitled "Private Health Sector Assessment in Kenya", put forward several recommendations to "maximise the private sector role in health", including the creation of a new PPP in Health Unit (housed by the Ministry of Health) to implement PPPs, the formalisation of the public-private collaboration in key health markets such as antiretroviral treatment and reproductive health services and the expansion of the private insurance sector "to create more health insurance products for lower income Kenyans".[124]

As part of this process, in 2015, the Kenyan government selected five foreign private sector companies for a seven-year PPP project for the supply, installation, maintenance of and training on diagnostics imaging equipment (Managed Equipment Services Partnership, MESP) across 98 public hospitals.[125] The companies involved in this project, in order of contract amount, are: the US's General Electric Healthcare, India's Esteem Industries, the Dutch's Philips Medical Systems, China's Shenzhen Mindray Bio-medical LTD and Italy's Bellco SRL. According to the WB, this contract "enables citizens to adopt a 'pay for service' expenditure plan and affords a number of financial benefits including funding to cover equipment, maintenance and other project costs such as training."[126] Importantly, the Bank praised the Kenyan government for this project as it represents a "model to be replicated in other African countries." However, critics – including Kenya's first auditor general – have highlighted that "high tech machines are lying idle in more than a third of the hospitals that received them" as there was no proper planning, and have argued that the project "has worsened the country's debt burden and diverted urgently needed resources from basic healthcare that would otherwise save lives."[127]

These concerns have resulted in a parliamentarian investigation at the Senate level, resulting in the publication of a report in September 2020 calling the project a "criminal enterprise" as the cost of the equipment supplied "was grossly exaggerated."[128] Feminist economic justice specialists Simeoni and Kinoti recently concluded that the project "led to gaps in priority setting, a redirection of resources to 'non-essential' specialised equipment, as well as less access by women to this specialised equipment". They go on to say that "the MESP shines a spotlight on the wider question of what lies at the heart of development decisions and who is part of that process. Kenyan public services – publicly-funded and universally delivered - were and continue to be in a state of collapse. An unequal and undemocratic extractive global economic governance system lies at the heart of this collapse."[129]

At the same time, the implementation of the PPP agenda in the health sector has moved forward with the Kenyatta National Hospital's PPP project. The Kenyatta National Hospital is the largest referral, teaching and research hospital in Kenya and, in October 2019, called for bids to construct a new PPP 300-bed hospital in Nairobi were issued.[130] The PPP will be a 30-year contract and the private company will be able to recover their costs and make a profit before transferring it to the State – in practice, this means charging user fees to patients and deepening market practices in the health sector. The plan for this project was conceived back in 2012 but, according to media reports, gained momentum in 2018 when the hospital contracted a consortium from Ernst & Young Kenya, India and UK to conduct a feasibility study on the technical configuration, affordability and commercial viability of the project.[131] This is despite the high-profile abandonment of such PPP arrangements for the construction of new hospitals in the UK, an erstwhile enthusiastic adopter and promoter of the practice.[132]

Furthermore, private healthcare providers have been questioned for their problematic practices in Kenya. In February 2020, it was revealed that executives at the Nairobi Women's Hospital, a private equity fund-owned enterprise (TPG's Evercare Health Fund with the IFC as equity investor under the Health in Africa initiative), encouraged staff to drive up admission numbers and prevent discharges, carry out unnecessary tests as well as prescribe expensive and unnecessary medications.[133]

Education

The WB has been criticised by CSOs for fuelling the privatisation of the sector, including by supporting controversial for-profit corporate chains at the expense of funding free, inclusive and quality public systems. In 2018, Kenyan citizens registered a complaint[134] with the IFC's Ombudsman following controversy regarding the practices of Bridge International Academies[135] – a for-profit company that runs low-cost private schools across Africa, including nearly 300 in Kenya.[136] The complaint raised alarms bells regarding Bridge schools' working conditions, insufficient access for children with special needs, the lack of adherence to relevant health and safety requirements, lack of parental inclusion and economic discrimination. The Ombudsman found grounds for further investigation, as some of the issues represented a breach of IFC's performance standards. The investigation is due to conclude by September 2020.[137]

Transport

The need to develop and rehabilitate 10,000km of the national roads network has translated into a pipeline of separate "lots", each accounting for less than 100km of road, which are packaged into separate PPPs in which the private investor will be compensated via fixed and performance-related annuities by the public sector over ten years. As of January 2020,[138] just six of these "lots" were at "advanced stages of the PPP process". One of the projects in the pipeline, the first toll highway outside Nairobi (Nairobi-Nakuru-Mau Summit Highway project), was in the news in late September 2020, as the government signed a 30-year PPP deal worth US$ 1.5 billion with a consortium of French firms, Rift Valley Connect, led by Meridiam Infrastructure Africa Fund.[139] Under the PPP model, the consortium will be expected to recover its funds from the road through user fees (tolls), while the Kenyan government will guarantee availability of traffic, through a toll fund recently enacted by the National Assembly.[140]

While no one would contest the need for upgrading of the Kenyan road network, the question arises whether the current approach provides the most cost-effective way to do so. Parcelling up the road network into discrete (and small) lots that have clearly identified revenue streams (via the public purse) so that they can attract private (often foreign) investors reflects imperatives of private finance at the expense of an integrated publicly financed approach where planning, procurement and execution can reap economies of scale as well as reflect developmental imperatives (beyond bankability) and a broader redistributive mandate.

In the context of the Covid-19 pandemic

The WBG has continued its efforts to promote the private sector in Kenya, at different levels and across different sectors. While the WB approved a US$ 50 million loan "to prevent, detect and respond to the threat posed by Covid-19 and strengthen national systems for public health preparedness,"[141] the focus of the interventions continues to be on crowding in private investment. A US$ 1 billion development policy loan focused on "inclusive growth and fiscal management" was approved on 19 May 2020.[142] This loan seeks to support further reforms in support of crowding in private investments, including PPPs,[143] and "specific areas that require urgent attention include the need to allow for arbitration hearings to occur in an internationally acceptable seat of arbitration and the critical need to widen the definition of political events covered by the Government Support Mechanism Policy and the Letter of Support issued for PPP projects".[144] The policy loan clearly demonstrates that "the WBG remains committed to support the government in advancing the PPP agenda in Kenya."[145]

The IFC, on the other hand, approved several projects in support of financing institutions that operate in Kenya. For instance, it approved a US$ 50 million loan to the Diamond Trust Bank Kenya, the 7th largest bank in Kenya and an Africa conglomerate active in neighbouring countries;[146] and a US$ 50 million loan to the Equity Bank Kenya,[147] the second-largest bank in Kenya and a subsidiary of a group with operations across East Africa) as part of its FTCF working capital solution programme. It also acquired a minority stake in the supermarket chain, Naivas International Limited, for US$ 15 million, co-investing with the French private equity fund Amethis Finance.[148]

As demonstrated, the MFD approach successfully embeds the private sector across core public service provisioning. This can be seen as part of the implementation of the Wall Street Consensus described by Professor Gabor,[149] which seeks to reorganise development interventions around selling development finance to the market. The agenda proceeds unimpeded by the pandemic, despite multiple concerns regarding its implications for development, poverty eradication or welfare provision, which have been raised with regards to Kenya and other countries.[150]

6. Conclusion and policy recommendations

In response to the economic and social crises that developing countries face as a result of the Covid-19 pandemic, the WBG has approved emergency response (FTCF) of US$ 14 billion and committed US$ 160 billion in finance over the next 15 months. This briefing analyses this response and highlights the centrality of the private sector in the WBG's approach to the pandemic and in the recovery phase.

The briefing details five main features of the WBG's response to the pandemic.

1. The IFC and its private clients have prevailed in terms of resource allocation, design and implementation of Covid-19-related projects. The focus on the private sector also includes renewed support for IFC's use of blended finance.
2. IFC financial sector clients and multinational companies have particularly benefited from the pandemic response. By late June 2020, about 68 per cent (in value terms) of IFC Covid-19 projects targeted financial institutions. This ostensibly seeks to assist MSMEs in navigating the fallout from the pandemic, but this strategy is yet to produce results. In addition, around 50 per cent of IFC supported companies are either majority-owned by multinational companies or are themselves international conglomerates.
3. Despite the support from the WB's public arms (IBRD and IDA) being portrayed as aiming to strengthen public health systems, recipient countries have been urged to undergo structural reforms aimed at strengthening markets through practices such as liberalisation and deregulation. These policy conditions are at odds with the need to strengthen state capacity to deal with the multiple crises of the pandemic, climate change and inequality.
4. The increased pressure to "get money out the door" has raised clear implementation challenges. The IFC's focus on financial intermediaries has fallen short of transparency and accountability standards, while on the WB's side there have been questions about stakeholder engagement as projects are rolled out. This comes on top of shrinking space for CSOs to actively participate and increased reprisals against human rights activists.
5. Finally, the WBG continues with the MFD approach by placing PPPs, and the private sector more broadly, at the centre of the recovery.

The Covid-19 pandemic has provided the WBG with an opportunity to enhance its MFD approach. As the Kenya case study illustrates, the implementation of this approach implies a consistent and coherent approach to market creation, which translates into concrete interventions and practices at the national level. The centrality of the private sector in development in general, and public service provisioning in particular, is being strengthened both in discourse and practices, despite little, if any, evidence in support of such an approach. This will be compounded by the limited fiscal space that developing countries are likely face in the post-Covid-19 era.[151]

Policy recommendations

The Covid-19 pandemic has the potential to dramatically undermine the slow progress made by developing countries towards achieving the SDGs.

This briefing suggests short-term policy recommendations, focused on the Covid-19 response, and long-term measures that would allow to better connect the institution with its core mandate.

In the short term:

- The WBG needs to restore the balance between the public and private sector in its Covid-19 response, including in its modalities and instruments. Developing countries are in need of concessional resources to strengthen their public systems, particularly health, education and social protection, and to stimulate the economic recovery. Importantly, the WBG Covid-19 response should not contribute to deepening the debt problem.
- Both in its emergency response and with regard to long-term finance, the WBG should abandon policy conditions that undermine economic policies and regulatory measures aimed at strengthening domestic economies, jobs and livelihoods and civic rights. This includes abandoning those policy conditions that favour the private sector and undermine the strengthening of public services and the delivery of public goods.
- The WBG should make sure its emergency and long-term programmes are consistent with and strengthen climate resilience and the shift to low carbon pathways. This implies a review and disclosure of carbon implications of the projects and policies it promotes, while phasing out and avoiding involvement in projects that exacerbate the climate crisis in the name of the Covid-19 response.
- The IFC should commit to publicly disclosing recipients of resources, as well as the purpose of this support. This would ensure that IFC programmes help preserve employment and do not serve to bail out private financial institutions.
- The IFC should stop its support for commercial private health facilities that undermine public system building that also arguably have pernicious implications for women, lower-income or vulnerable populations.

In the long term:

Given the evidence that highlights the problematic track-record of the MFD, it is imperative that the WBG re-evaluates this approach. If the WBG wishes to "build back better", it needs to consider the broad implications of its agenda and move towards a human rights-based approach that builds resilience and strengthens public systems.

At its core, this will require adequate levels of public finance to be achieved through, among other things, tackling tax avoidance and evasion, and by using ODA to strengthen the provision of public services. The WBG, as a leading development actor, should rethink its approach to blended finance. Moreover, immediate cancellation of debt payments should be linked to a more comprehensive approach to debt crisis resolution, under the auspices of the UN. This would allow for an equitable and resilient recovery in line with the SDG and Paris commitments.

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21 See: https://www.oecd.org/g20/summits/hamburg/methodology-for-assessing-the-implementation-of-the-g20-oecd-principles-of-corporate-governance-9789264269965-en.htm
22 See: https://scorecard.worldbank.org/
23 See: Development Committee, 2017b. Furthermore, Jim Kim, then WB President, explained how the World Bank is changing the incentive structure for its staff to reward mobilisation of private capital: "But we're working to change the incentives – defining and tracking the direct mobilization of commercial capital, so we can reward every effort to crowd in private financing. We're putting in place a tracking system that captures indirect forms of mobilization, and we're figuring out how to reward staff who focus on advisory programs, building markets, and creating the environment for investment". Kim, J. Y., Speech by World Bank Group President Jim Yong Kim: Rethinking Development Finance, 2017, https://www.worldbank.org/en/news/speech/2017/04/11/speech-by-world-bank-group-president-jim-yong-kim-rethinking-development-finance
24 See concerns raised by three former top-level experts from the OECD's Development Assistance Committee (DAC): https://www.brookings.edu/blog/future-development/2018/12/21/dont-undermine-the-basic-architecture-of-oecd-dac-statistics-a-letter-of-warning/ and by CSOs https://www.eurodad.org/private-sector-instruments
25 http://www.oecd.org/dac/financing-sustainable-development/TOSSD%20flyer.pdf
26 IDA is replenished every three years by donor resources. IDA18 is the eighteenth replenishment since the creation of IDA in 1960.
27 See: World Bank, 'Operationalizing the IDA18 IFC MIGA Private Sector Window', 2017, http://documents1.worldbank.org/curated/en/928011520447801610/pdf/123995-BRPUBLIC-IDA-R2017-0347-1.pdf, p. i
28 See: Development Committee, 2017a, p. 3
29 See: Development Committee, 2017a, p. 8
30 Congresswoman Maxine Waters, Chairwoman of the House Financial Services Committee, and Senator Patrick Leahy, Vice Chairman of the Senate Committee on Appropriations, sent a letter on October 1, 2020 to the Government Accountability Office requesting it analyse the IDA's financing model, financial viability, and risk management. See: https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=406978
31 See: World Bank, 2017, p. i
32 See: World Bank, 2017, p. i
33 See: IFC, 2017; Development Committee, 2017a
34 See: IFC, 2017, p. 2
35 See: Kenny, C., 'Transparency at development finance institutions: Moving to better practice', 2020 https://www.cgdev.org/publication/transparency-development-finance-institutions-moving-better-practice and Kenny et al., 2020: https://www.cgdev.org/blog/time-newor-olddevelopment-finance-model
36 See: IFC, 'Blended finance a stepping-stone to creating markets. Emerging Market Compass. Note 51, International Finance Corporation, 2018a; BWP, 'IFC blended finance', *Bretton Woods Project*, 2013 https://www.brettonwoodsproject.org/2013/06/art-572886/
37 See: World Bank, 'Operationalizing the IDA18 IFC MIGA Private Sector Window'. IDA18, World Bank, 2017, http://documents1.worldbank.org/curated/en/928011520447801610/pdf/123995-BR-PUBLIC-IDA-R2017-0347-1.pdf, p. i. As part of its role as a global player, the IFC came to lead the DFI Working Group on Blended Concessional Finance for Private Sector Projects, which in October 2017 produced enhanced principles for the use of concessional finance in private sector operations (see: DFI Working Group, 'DFI Working Group on Blended Concessional Finance for Private Sector Projects'. Summary report, 2017).
38 See: IFC, 2017 p. 12. For then-World Bank president, Kim (2017b): "One of the things we'd like to do, for example, is to find a way for a pension fund in the United Kingdom to be able to invest in building roads in Dar es Salaam, get a reasonable return on that investment, and do a lot of good in the process".
39 See: Bayliss, K. and Van Waeyenberge, E., 'Unpacking the public private partnership revival', The Journal of Development Studies, 54(4):577-593, 2018, https://www.tandfonline.com/doi/abs/10.1080/00220388.2017.1303671?journalCode=fjds20; Gabor 2020
40 The premature departure of the CEO of the IFC, Philippe Le Houérou, announced on 7 July 2020, perhaps reflects some of his disenchantment with the slow progress on the broader blended finance agenda at the IFC.
41 See: https://ida.worldbank.org/financing/ida18-private-sector-window/private-sector-window-projects
42 See: Kenny, C., 'Reforming World Bank aid to the private sector for greater competition and transparency. Center for Global Development', 2019, https://www.cgdev.org/blog/reforming-world-bank-aid-private-sector-greater-competition-and-transparency
43 See: Waters, 2019. See also concerns regarding transparency around PSW subsidies to private sector firms raised by other donors at the discussions on the IDA19 replenishment (IDA19, 'IDA19 second replenishment meeting Addis Ababa', Ethiopia June 18-20, 2019. Co-Chairs' Summary. Available at: http://documents1.worldbank.org/curated/en/418181566241256305/pdf/IDA19-Second-Replenishment-Meeting-Addis-Ababa-Ethiopia-June-18-20-2019-Co-Chairs-Summary.pdf, p. 2).
44 See: Waters, M., 'The annual testimony of the secretary of the treasury on the state of the international financial system', US House Committee on Financial Services, April 2019, https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=403630, Igoe, M.,'US lawmaker threatens World Bank capital increase of private sector concerns. Devex News', 2019, https://www.devex.com/news/us-lawmaker-threatens-world-bank-capital-increase-over-private-sector-concerns-94668
45 For a review, see: Bayliss et al., 2020.
46 See: Edwards, S., 'World Bank hits IDA replenishment target despite smaller US pledge' Devex, 2019, https://www.devex.com/news/world-bank-hits-ida-replenishment-target-despite-smaller-us-pledge-96226; IDA19, 'IDA19: Ten Years to 2030: Growth, People, Resilience. Additions to IDA Resources: Nineteenth Replenishment', 2020, http://documents1.worldbank.org/curated/en/459531582153485508/pdf/Additions-to-IDA-Resources-Nineteenth-Replenishment-Ten-Years-to-2030-Growth-People-Resilience.pdf
47 See: https://www.unwomen.org/en/digital-library/publications/2020/04/policy-brief-the-impact-of-covid-19-on-women
48 See: IMF, 'World Economic Outlook. The Great Lockdown', April 2020, https://www.imf.org/~/media/Files/Publications/WEO/2020/April/English/text.ashx?la=en p. xii
49 See: WBG, 'Saving Lives, Scaling-up Impact and Getting Back on Track. World Bank Group Covid-19 Crisis Response Approach Paper', World Bank Group, 2020d, http://documents1.worldbank.org/curated/en/136631594937150795/pdf/World-Bank-Group-COVID-19-Crisis-Response-Approach-Paper-Saving-Lives-Scaling-up-Impact-and-Getting-Back-on-Track.pdf
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62 This is US$ 545 million from IDA18, plus another US$ 150 million from IDA19 for the three IDA PSW global projects that mirror the 3 main IFC fast-track facilities.

63 Three global IDA PSW facilities were created under the FTCF corresponding to the IFC Covid-19 facilities.

64 See: IFC 2020a

65 See: Spicer, M., 'Now is the time to mobilize blended finance instruments', 2020, https://blogs.worldbank.org/psd/now-time-mobilize-blended-finance-instruments; Le Houerou, P., 'CGD Conversations on COVID-19 and Development: Philippe Le Houerou', Center for Global Development, 2020, https://www.cgdev.org/event/cgd-conversations-covid-19-and-development-philippe-le-hou%C3%A9rou

66 See: WBG 2020c

67 See: Malpass, D., 'Remarks to G20 Finance Ministers, 15 April 2020, WB Statement', 2020a, https://www.worldbank.org/en/news/statement/2020/04/15/world-bank-group-president-david-malpass-remarks-to-g20-finance-ministers

68 See for example, https://www.oxfam.org/en/press-releases/world-bank-remains-outlier-debt-relief-oxfam and https://www.globaleverantwortung.at/covid-19-response-is-the-world-bank-right-about-not-suspending-debt-service-payments-of-developing-countries-a-pro-und-contra and UNCTAD TDR 2020 https://unctad.org/en/PublicationsLibrary/tdr2020_en.pdf.

69 See: World Bank, 'Annual Report' 2019, https://www.worldbank.org/en/about/annual-report, p. 7

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72 See: WBG, 2020b

73 See: https://disclosures.ifc.org/#/projectDetail/SII/44245

74 See: https://disclosures.ifc.org/#/projectDetail/ESRS/43681

75 See: https://disclosures.ifc.org/#/projectDetail/ESRS/44118

76 These and all publicly available projects of the IFC/ IDA18 PSW can be found here: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/covid-19/covid-19-projects and https://ida.worldbank.org/financing/ida18-private-sector-window/private-sector-window-projects

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79 See: Dreher, A., Lang, V. F., and Richert, K., 'The political economy of International Finance Corporation lending', Journal of Development Economics, 140:242 – 254, 2019

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91 See: https://medium.com/@OxfamIFIs/a-very-welcome-and-long-awaited-reform-on-transparency-for-ifcs-financial-intermediary-lending-42fd54f1d0eb

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95 Since the 2013 WBG Strategy there have been continuous references to "Working as One World Bank Group", which "means scaling up collaboration" across WBG institutions. The WBG consists of five distinct organisations: the International Bank for Reconstruction and Development (IBRD), which finances low- and middle-income countries, and the International Development Association (IDA), which provides concessional loans and grants to low-income countries, together they make up the World Bank (WB); the International Finance Corporation (IFC), which supports private sector companies, the Multilateral Investment Guarantee Agency (MIGA), which provides political risk insurance, and the International Centre for Settlement of Investment Disputes (ICSID), which provides international facilities for conciliation and arbitration of investment disputes.

96 See: WBG, 2020d, p. vi

97 See: WBG, 2020d, p. 27

98 See: WBG, 2020d, p. 28

99 See: WBG, 2020d, p. 31

100 See: WBG, 2020d, p. 31

101 See: WBG 2020d, p. 33

102 See, for instance, work through the Public-Private Infrastructure Advisory Facility (PPIAF) to support national PPP units, Ministries of Finance and sector ministries with technical advice to assess the impact of COVID-19 on their PPP programs. https://ppiaf.org/covid-19-ppp-rapid-response-umbrella-program

103 See: Bayliss and Van Waeyenberge 2018. In addition, as the WBG states, "public private partnerships will have to play an even greater role given the likelihood of higher public debt and debt vulnerabilities in most developing countries" (WBG, 2020d, p. 14).

104 Details about individual projects can be found here: for Brazil, Cabello et al (2020), India IFC (2020d), Vietnam IFC (20203), Nigeria IBRD/IDA (2020e), Kenya IBRD/IDA (2020b) Uganda IBRD/IDA (2020f) and IFC project number N°603405.

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107 See: Van Waeyenberge, 2015
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111 See WBG's MFD: http://documents1.worldbank.org/curated/en/168331522826993264/pdf/124888-REVISED-BRI-PUBLIC-Maximizing-Finance.pdf
112 Adaptable Program Lending for Infrastructure Finance and Public-Private Partnership Project for Kenya: https://projects.worldbank.org/en/projects-operations/project-detail/P121019 See also: https://blogs.worldbank.org/ppps/3-keys-success-public-private-partnership-ppp-unit-kenya-and-5-lessons-share
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117 See: WBG, 2019, p. 2
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123 See: WB, 2010, 'Private Health Sector Assessment in Kenya' World Bank Working Paper, N°193, 2010, http://documents1.worldbank.org/curated/en/434701468048274776/pdf/552020PUB0Heal10Box349442B01PUBLIC1.pdf, p. xiv
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Contact

Eurodad
Rue d'Edimbourg 18-26
1050 Brussels Belgium
+32 (0) 2 894 4640
assistant@eurodad.org
www.eurodad.org

SOAS Economics Department
https://www.soas.ac.uk/economics
Hodeconomics@soas.ac.uk