



Letter to the

World Bank Group Executive Directors

Brussels, 03.04.2023

## **The reform of the World Bank has to be profound**

Honourable Executive Directors of the World Bank Group,

We, the undersigned Members of the European Parliament, are following the evolution of the World Bank Group (WBG) with a very strong interest. The World Bank plays a crucial role to strengthen global development, implement the Paris agreement and to fight global inequality.

We welcome the acknowledgement of the need for a true transformation of the World Bank Group and support the current efforts to integrate the protection of Global Public Goods (GPG) into the mandate and operations of the WBG. It is evident that some of the most pressing challenges of our time, such as the climate and biodiversity loss crisis, but also pandemics or conflicts, have a transnational character. An ambitious reform of the World Bank could have the potential of enabling the international community to better prevent, mitigate and respond to these challenges. This also includes the mainstreaming of gender issues.

However, we are concerned that the planned reforms might not be as effective as needed because they do not sufficiently address existing issues, for example, regarding transparency and problematic incentive structures.

There still is a severe lack of transparency on the WBG financing. We are strongly concerned by reports that warn that the WBG continues to finance fossil fuels, though, inter alia: direct fossil fuel finance; fossil fuel-favourable tax and tariff reforms and the financing of supportive infrastructure that fosters fossil fuels.

Therefore, we are calling on the World Bank Group to undergo a profound and genuine reform with the following pillars:

- 1. Improve current internal incentive systems and the complaint mechanisms:** under the premise to first, make the bank better, it is needed to address current shortcomings regarding internal problematic incentive structures (for example, bigger projects are favoured over smaller projects, in spite of smaller projects being in some cases more effective or have a more direct impact), and addressing the weaknesses that became apparent following recent data manipulation scandals.
- 2. Transparency and Accountability through Audits:** Better transparency on finance is primordial to enable an informed public debate and ensure that the limited funds are used in the most effective way. This is particularly evident in the area of fossil fuel funding. Without transparency and independently verified data on fossil fuel-associated funding, it is impossible for shareholders and the public to ascertain the



World Bank Group's alignment with the Paris Climate Agreement. We require publicly disclosed independent audits that determine how much of IFC's financial intermediary funding, including Trade Finance, is linked to fossil fuels.

3. **The exclusion of all forms of Fossil Fuel Finance:** All coal-, oil- and gas-related activities must be added to the Exclusion Lists for all types of World Bank Group finance (i.e., direct and indirect finance, e.g., budget finance and financial intermediaries) and included in the legally binding finance agreements between the World Bank Group and its clients. This measure is aligned with the planned expansion of the Mission and Vision of the WBG and would be the most effective measure to minimise negative global impacts (compared, for example, with other measures such as merely accounting for negative externalities)
  
4. **Measure and report Climate Outcomes** – Require the World Bank Group to measure and report on metrics that determine if member countries' economies are becoming more or less dependent on fossil fuels as measured by share of GDP; share of trade (exports & imports); share of power generation; and share of new investments. Such outcomes will reflect both direct and indirect finance outcomes, especially including policy reforms and budget finance.

Further, we demand that parliamentarians of all WBG member countries and the European Parliament, as well as the civil society, especially the civil society in the Global South, women's rights and LGBTQI groups, are actively consulted and involved in the design of the reform process.

The World Bank could play an important role if transformed into a pillar of equitable, social and environmental transformation in the multilateral system. Then the World Bank could become a leading force in the fight against global warming and inequality. Please ensure this will happen.

Kind regards,

Members of European Parliament

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