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PRIORITIES FOR THE WORLD BANK EVOLUTION ROADMAP
VOLUME II

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The World Bank is evolving to meet climate change and other global crises head on. A Roadmap to guide this institutional reform was a good start; now, shareholders must get creative to finance and operationalize the plan. Large, developing countries' interest in additional borrowing for global challenges will ultimately determine whether the Roadmap succeeds or fails.

The World Bank produced a roadmap for its evolution in early 2023, setting out reforms it could pursue to better respond to modern development challenges. The Evolution Roadmap proposed funnelling additional lending to address cross-border, global problems that no country on its own is incentivized to tackle – problems such as climate change or pandemics that disrupt the traditional development model. The Roadmap is more than an internal technocratic exercise, however; the reform process it outlines is mission-critical to climate change, and to renew credibility and confidence in the World Bank. It points the way for the Bank, in its 80th year, to become what the world needs it to be.

The authors' previous briefing,[1] "A roadmap for World Bank Group evolution", made the case for a new vision of additional investment in global public goods (GPGs), and outlined preliminary actions the Bank could take in 2023. Its recommendations were generally well received and adopted, as explained on page 3 in "The road to here." Under the direction of its Board, and a new President, the Bank has since made considerable progress reorienting itself in a short time. Adding four small words to its vision statement – "on a liveable planet" – unleashed a flood of ideas aimed at sustaining our global commons.

[1] With Stephanie Segal: E3G and CSIS, December 2022, **A roadmap for World Bank Group evolution**

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Laudable as they are, these early gains must be seen as a down payment. Subsequent reforms of greater granularity, along with increased political and financial support, are now needed to deliver on the Roadmap's ambition.

At its heart, a menu of incentives and concessionality must be agreed and codified that could stoke demand from borrowers, primarily large developing economies, to act on the global challenges of our times. While many potential GPG projects include *domestic* cost benefits, they are not always prioritized if alternate projects offer slightly *greater* domestic benefits. Thus, shareholders must outline a framework to fairly allocate incentives, underpinned by rigorous cost–benefit analytics. Facilitating country lending platforms would then allow the Bank to implement the incentives and achieve deal flow at scale. This should all be complemented by reforms to MIGA and IFC[2] on the supply side, to attract private finance and really move the needle on global challenges.

Shareholders have converged on these objectives but financing them will require a significantly larger Bank to avoid a zero-sum trade-off of public resources. In making the investment case for global challenges, advocates must avoid falling exclusively into the volume trap in the near term, although more volume is undoubtedly required. To that end, sequencing IDA[3] replenishment, an IBRD[4] boost, and discussion on a general capital increase will be paramount in 2024. Picking the right targets to deliver a near-term boost for GPGs can provide the intermediate link between the Roadmap's 2023 vision and the 2030 multilateral development bank (MDB) lending scale-up called for by economists. As such, progress on capital adequacy reforms, data analytics, and transparency must continue apace, and the Bank must use all instruments at its disposal to leverage, de-risk, and mobilize finance.

This briefing picks up the narrative one year on from the previous one and details a new set of priority action areas where the world needs the Bank to progress in 2024 to fulfil the promise of the Evolution Roadmap:

1. Scaled-up analytics to apply a menu of incentives for GPG investment within a fair and transparent allocation framework.

[2] MIGA: Multilateral Investment Guarantee Agency; IFC: International Finance Corporation

[3] International Development Association

[4] International Bank for Reconstruction and Development

2. Pioneering a dozen country platforms that pull together the entire capital stack, and shifting focus from inputs to outcomes (e.g. greenhouse gas reductions).
3. Doubling the size of MIGA and sharpening IFC's focus to attract 4× private finance.
4. Financial innovation to give GPG lending a one-time boost, proving the Roadmap concept before making the case for a General Capital Increase (GCI).

In producing and iterating an Evolution Roadmap, the World Bank signalled a willingness to adapt to take on the challenges of the modern era. Transforming how the Bank works, at what scale, and how it engages with clients and shareholders is not a task for the faint of heart. We applaud Bank shareholders and staff for their efforts so far, and implore them to see this through, think big, be bold, and lead the way in evolving the international financial architecture so that it can address global challenges.

To further evolve, World Bank staff now need to imprint the new mandate into the Bank's DNA through these "sleeves rolled-up" recommendations. Following COP28, and as India hands over the G20 Presidency to Brazil, near-term reform of the World Bank, MDBs, and international financial institutions is necessary to achieve global climate objectives and preserve multilateralism.

The road to here

Over the past year, Bank management and shareholders worked together on a suite of reforms to unlock and direct new lending capacity. Quick wins have spurred momentum, and in that context the Evolution Roadmap enabled exploration of how to improve, scale and streamline the World Bank. On his appointment in June 2023, President Ajay Banga stated the Bank needs to be "better and bigger" to address global problems. So, what has been accomplished so far?

Mission and vision update
This box is ticked. After nine months of deliberation, the World Bank board of governors agreed an appropriate new vision and mission statement, formally endorsing a mandate to include prioritization of global challenges. The Bank will now strive "to end extreme poverty and boost shared prosperity on a liveable planet." The last four words are meant to broadly

capture the concept of sustainability and intertwining nature of crises. This recognition resulted from sustained dialogue and steady compromise among shareholders and is a welcome first step toward shifting the Bank to direct additional lending to help solve GPG problems.

Global challenges

Rather than adopt the three initial GPGs put forth at the start of the year – climate, pandemic preparedness, and peace/fragility – the bank identified eight "global challenges", not all of which could be characterized as non-excludable, non-rival, textbook GPGs. The new list includes climate, fragility, pandemics, energy, food, water, digitalization, and nature/biodiversity. Recognizing that all World Bank reforms require compromise, this longer list should not dilute Bank efforts to be **additional** and **impactful** in its expanded focus on cross-border challenges. Somewhat confusingly, the eight issues have been re-grouped and spread across six Global Challenge Programs[5] that will be used to direct lending. This odd configuration warrants clarification at the earliest opportunity. The nomenclature on which to build the GPG apparatus must be crystal clear and rock solid.

Finance and operations reforms to date

In recognizing the need for additional lending to address GPGs, the Bank's equity-to-loan ratio was reduced from 20% to 19%, unlocking $50 billion in new finance over 10 years. (Capital adequacy measures have so far unlocked over $200 billion[6] across the MDB system.) The Bank's management demonstrated early innovation by developing pilots for hybrid capital issuance and raising the limit for shareholder guarantees.[7]

Then, in the runup to the Marrakech Annual Meetings, work began in earnest to develop principles to incentivize additional borrowing for global challenges, as well as new metrics for a streamlined corporate scorecard. Separate but related, the Bank's Crisis Response Toolkit was expanded to include climate resilient debt clauses. Now, donor countries are exploring

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[5] The six GCPs are: 1. Fast-Track Water Security and Climate Adaptation; 2. Energy Transition, Efficiency and Access; 3. Enhanced Health Emergency Prevention, Preparedness and Response; 4. Accelerating Digitalization; 5. Food and Nutrition Security; 6. Forests for Development, Climate, and Biodiversity. GCPs are internationally coordinated country-level programs that will provide both IDA and IBRD countries with grants and concessional financing for "replicable" and "scalable" interventions to address climate change and other GPGs. The World Bank/IMF Development Committee, September 2023, **Ending Poverty on a Livable Planet**

[6] The White House, October 2023, **White House Calls on Congress to Advance Critical National Security Priorities**

[7] The World Bank, July 2023, **World Bank Announces New Steps to Add Billions in Financial Capacity**

voluntary capital increases via guarantees and hybrid capital to finance and prove the concept for many of these reforms via a one-time boost to IBRD, potentially setting the stage for a GCI in the future.

Part 1: Incentivizing countries to borrow for GPGs

The Roadmap can only help the Bank to reach its destination if client countries demonstrate additional appetite to borrow for global challenges. While some GPGs are captured under, but not entirely synchronous with Global Challenge Programs, the Bank is resolved to press forward with the latter to organize and convey additionality for cross-border solutions. The implicit assumption in the Roadmap is that increased supply of financing will generate greater demand, especially from middle-income countries (MICs) for infrastructure projects that cut greenhouse gases. That does not necessarily follow. Many emerging markets can self-finance through taxation, domestic bond markets, and external capital markets, often on relatively more attractive terms than IBRD. For low- and middle-income countries (LMICs), the cost of borrowing, country-specific limits to borrowing and debt, excessive conditionality, and capacity constraints, can deter investments that could help address GPG shortcomings. Subsidized lending will be needed to incentivize interest from borrowers, particularly MICs. This is the conclusion that shareholders and Bank management have come to, representing a major shift from the past, and focusing attention on the framework presently under development to guide concessional financing.

The Bank, its shareholders, and staff must get serious about defining a menu of incentive structures that borrowers can pick and choose from, including a lower cost of capital, that allow more GPG projects to become viable.

There are three prongs to this program of work, which is where the rubber meets the road for the Evolution Roadmap:

1. Clarify the menu of incentives offered that will lower the cost of borrowing, or otherwise promote project viability.
2. Agree a framework to apply the incentives in a fair, fast and transparent manner.
3. Rapidly ramp up the data analytics and technical assistance required to underpin the entire agenda, and measure outcomes not inputs.

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Agree a menu of incentives

Countries may not be able to prioritise borrowing for GPGs without clear incentives. Incentives can be financial or non-financial. The menu should include:

> **Subsidies**: A price subsidy is the most obvious incentive and potentially the most effective. Blended finance – finance with a subsidy component – can provide more attractive loan pricing. "Buying down" IBRD lending terms in this way requires identifying or creating a pot of grant financing, that will need replenishing since it will be depleted over time. Concessional finance of this nature would have to be sizable, scalable, and sustainable. Shareholders and World Bank management have resisted setting a target for concessional financing (as we attempt to later in this paper). This is the biggest constraint and demands creative thinking, further financial innovation, and voluntary injections of new capital as we discuss in Part 4. Grant money must meet a high bar and only be used where it is proven to work, has a sustained impact, and no other instrument or incentive is available. A strengthened GPG Fund, a ringfenced pot of funds within IBRD, or a new institution entirely, could act as the "clearing house" to allocate concessionality for GPGs. Regardless of the structure, sources for the grants will need to be identified and secured.

> **Interest rate drawdowns:** Effectively a price subsidy through other means but can be implemented now via the IBRD's balance sheet. Large MICs tend to be charged more basis points than lower income countries to borrow funds from IBRD. There is a scenario where high-emitting countries for example could be charged lower interest rates for borrowing to transition to a low-carbon energy system. This is somewhat circular and may reduce the volume to all countries in the medium term if there is no capital increase, since IBRD would have to take the hit from reduced revenue and net transfers in the future. Yet, to incentivize higher borrowing for GPGs in the near term and help make the investment case for a capital injection in the future, it may be worth considering and costing this approach in 2024.

> **Results-based financing**: This would entail lower pricing for projects that provide measurable benefits to GPGs, for example, greenhouse gas emissions reduced or avoided, or increased forest cover. The implication is that more financing, with an interest or fee buydown, will be available for better results. About 35–40% of the projects in the IBRD have some sort of Performance for Results component (PFR). This could be expanded to offer a long-term incentive that can support GPG reforms. PFR may also help attract private finance with robust data collection, measurement, and verification of agreed targets.

> **Longer tenors**: The Bank could offer longer-term financial products for GPG-related projects where necessary, to reduce debt stress. The Bank could also offer longer term maturities, for example 50- or 70-year loans, as opposed to much shorter standard terms. This reduces the cost of servicing the debt, thereby making the loan more affordable in the short term. Offering longer tenors is a central tenet of the Bridgetown Initiative.

> **Review borrowing limits:** The Bank and shareholders have shown a willingness to review country-specific borrowing limits that can prevent certain MICs from borrowing for GPGs. Borrowing limits exist for good reason but if they can be lifted or adapted to incentivize investments in the Bank's six Global Challenge Programs (GCPs) this can be a compelling "carrot" to offer. Take the Single Borrower Limit (SBL) surcharge, which applies a punitive surcharge when a country is within $2.5 billion of its limit, discouraging countries from using their full potential. The world needs countries to invest and deliver for GPGs, but this must be tackled holistically, and other measures may be necessary to ensure that countries can meet their core societal needs and are not overwhelmed by debt.

> **Offer scale:** Individual projects can be aggregated into packages to achieve scale. Volume may change a country's political economy calculus and entice a country to borrow more for GPGs. The Just Energy Transition Partnerships (JETPs) provide a sense of the scale required to entice an MIC to the table: South Africa's JETP stands at $8.5 billion, Indonesia's at $20 billion, and Vietnam's at $15.5 billion. These sums are made up of packages of projects integrated into an investment plan supported by a blend of public and private finance. The Bank could help replicate this approach by creating country platforms to package projects and pool financing in coordination with other MDBs, trust funds, and financial intermediary funds. Greater technical assistance, especially upstream project preparation facilities and pipeline development, can also incentivize countries to focus on certain sectors or GCPs. Knowledge transfer and reduced administrative burden also appeals to the Bank's clients.

> **Promise speed**: It currently takes an average of 27 months to get the first dollar out the door for a project. An initial goal could be to reduce this to 18 months over the next year, and then 9 months the year after. The Bank could do this by streamlining certain processes and taking a more risk-calibrated approach, for example delegating sign-off for lower risk projects to frontline staff. New geospatial technologies can help strengthen accountability and maintain safeguards. Each step along the way is born out of good intent but

the resulting process takes so long, it undercuts development and climate goals. We must find a better balance between safeguards and speed. A related idea is to prequalify projects and programs with GPG elements to speed up the process of loan approvals. Prequalification could start with countries who have drawn up pandemic preparedness or energy transition plans consistent with ambitious Nationally Determined Contributions (NDCs) and are developing investment plans to execute these goals.

The Bank must redouble its efforts to make lending for global challenges cheaper, easier, faster, and more scalable.

Agree a unified framework for the allocation of incentives

The Bank needs a solid framework for the allocation of additional incentives and limited concessionality for GPGs generally, or for the GCPs specifically. A set of principles or guardrails must be agreed before launching into the precise allocation formula. For example, the principles of additionality, sustainability, minimum concessionality, and impact, are solid places to begin consensus building. Special attention should be given to sustainability to ensure that there is long-term impact, and not only quick wins and short-term results. Even with an integrated GPG track and universal allocation framework, we still need a way to prioritize and compare global challenges. If everything is prioritized, then nothing is, and we are back to square one. One idea that warrants further exploration would be to auction off concessionality to the highest GPG contribution among several proposals. Under the Energy GCP, for example, the winning bids would go to the programs or projects that deliver the most greenhouse gas reductions.

We recommend a unified framework to allocate additional incentives rather than a “preferencing” approach where donors earmark new resources to their preferred GCP. This slicing of scarce resources dilutes the sense of ambition, urgency, and single-minded resoluteness that’s required to grip global challenges. As a first step, the Bank must clean up the nomenclature and clarify the difference between GPGs, the eight global challenges agreed to in the Spring Meetings, and the six GCPs agreed in Marrakech. These concepts should be crystal clear, beyond business as usual, and underpinned by a logical methodology.

There are several advantages to agreeing an externality-agnostic concessionality framework rather than selecting specific GPGs, or GCPs to fund. Chief among

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them is speed. The framework should not be set in stone but able to flex to changing headwinds and tailwinds. For example, shareholders could formally review and recalibrate the emphasis on GCPs every three to five years. This way the Bank can get started sooner and prove the concept. The Bank should start with GPGs that exhibit the greatest co-benefits; where the interlinkages of global and domestic issues are most accepted; and the methodology assessing costs and benefits is most advanced (greenhouse gas emissions, forest cover, WHO international health regulations).

Climate mitigation, biodiversity loss, and pandemic preparedness are logical GPGs with which to start. They are intertwined with and can undermine the twin goals, as we know from lived experience. They are underpinned by international agreements with global and national targets and a burden-sharing framework. There is a well-documented provision gap, combined with well-diagnosed consequences of under-provision, for the poorest, most vulnerable, and most adversely affected. Additional IBRD resources should be targeted toward the activities and country programs that deliver the greatest positive externalities for global challenges as an initial focus of the framework.

Ramp up GPG data, analytics, and technical assistance to incentivize clients

The Bank must massively step up its provision of GPG country analytics and cost–benefit analyses by specific project and package of investments. Substantial internal resources and sustained top-down pressure will be required to make this viable. It is hard to imagine how the Roadmap can be implemented unless this work is done. For example, to apply incentives efficiently and effectively a cost–benefit analysis will be needed for each project. There are multiple methodologies for each GCP at varying degrees of maturity, accessibility, and sophistication. It will be complicated to amass sufficiently granular data to analyse costs and benefits at the level of a project or package of projects, for each GCP in each country, but that cannot be an excuse for delay. Start with GCPs with advanced methodologies already in place.

This dovetails with the work being done to streamline the Bank's corporate scorecard to align with, and help actualize, the new mission ("ending poverty on a liveable planet"). KPIs are expected to be reduced from 150 to 20, and input measures replaced with new outcome metrics to manage performance and measure progress. This is easier said than done: allocation decisions made today won't deliver outcomes for several years. This mismatch will require creative and practical solutions to overcome the bias towards measuring input dollars over real-world impact. The Bank already has well-established methodologies in some

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areas like greenhouse gas reduction for climate mitigation. Other areas – like adaptation and resilience to shocks – require more thought. The Bank should include future-focused indicators, like biodiversity concerns and measuring how dependent an economy is on nature. As a Knowledge Bank, staff will have to lead the charge and develop new cutting-edge metrics and data collection methods, noting that metrics are only as good as the underpinning data.

To turbocharge this work, we recommend that President Banga appoint an Open Data & AI Advisory Group, to access the best advice from innovative technology companies on how to access and apply the latest technology and tools to execute the new mission. Other options could include hiring or acquiring an external advisory firm with the appropriate expertise and a track record of working to the benefit of emerging markets and developing economies. Under Banga's stewardship, Mastercard developed data analytics as a key part of its strategy refresh. Skill building was promoted through "guilds", structured around particular specialities. If expertise wasn't available internally, Banga hired "intellectual athletes" or via acquisitions.[8] He wanted to offer clients key insights as a value-added service to drive growth and deepen relationships.

In a similar vein, Country Teams and Global Practices at the Bank can make a more compelling case for the GPG agenda if armed with granular cost–benefit analysis of domestic investments in GPGs, and importantly, the additional menu of incentives. They could develop archetypes to make clear to client countries the specific incentives they can access if they prioritize such projects or policies. Technical assistance dedicated to GPG projects must also be used to incentivize clients to prioritize these types of projects and expand the project pipeline, which is often cited as a major bottleneck to financing.

> Global Practices should be charged with developing a pre-defined set of interventions – a menu of options for each GCP – that operationalizes GPGs in their areas.

Data is key for accountability, effectiveness, and transparency, and will become even more critical to the Bank achieving progress on amorphous global challenges. Shareholders must push this agenda from the top, at a minimum to

[8] Gupta, S., Lal, R., & Kindred, N., October 2014 (revised June 2016), **Mastercard: Driving Financial Inclusion**, Harvard Business School Case 515-035.

obtain the information they need to provide strategic advice and oversight, but ideally also to maximise the impact of the Bank's lending.

GPG allocation framework: A climate lending example

Let's use climate mitigation as a model to illustrate how a unified framework might apply (we invite other subject experts to illustrate the other global challenges): Country X administers its usual envelope where it decides its priorities. Country X is incentivized to apply for a package of investment projects and policy measures designed to accelerate its energy transition. It may include electric transportation, building efficiency, industrial decarbonization, and/or the build-out of new supply chains (à la the USA Inflation Reduction Act). The Bank can use its sharpened country analytics and project level cost–benefit analysis to assess at a granular level the greenhouse gas potential and national/global co-benefits. Where the global benefit exceeds the national cost–benefit, a price subsidy could be applied as a "top-up." Where the national co-benefit is equal to or exceeds the cost of investment, other incentives can still be applied (volume or tenor, but not price).

Part 2: Pioneer a dozen country platforms to reorient operations and shift from inputs to outcomes.

Country platforms are key to unlocking the scale of financing necessary to address GPGs. **Platform approaches are crucial mechanisms to coordinate actors, aggregate projects to achieve scale, and collaborate with and crowd in private capital.** The Just Energy Transition Partnerships (JETPs) may provide good examples of this model, although still nascent and yet to be proven to deliver results, or be replicable at scale.[9] The Bank's new Accelerating Sustainable and Clean Energy Access Transformation (ASCENT) Program is another example of a platform approach that pools knowledge and resources from across the Bank and public and private partners, in this case to bring energy access to 100 million people in up to 20 countries.[10] Designed strategically, these packages of projects,

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[9] JETPs are "deals" that combine leader-level political support with the provision of concessional capital, targeting near-term investments to accelerate the transition from coal to clean energy sources with support for workers impacted. Four "deals" have been signed since 2021 with the International Partners Group (IPG) of donors: South Africa, Indonesia, Vietnam and Senegal.

[10] The World Bank, November 2023, **100 million people in eastern and southern Africa poised to receive access to sustainable and clean energy by 2030**

or programs of programs, can offer sufficient scale or target strategic investments that can induce or support an economic structural shift, far more so than individual projects or policies.

There have been calls for MDBs to facilitate more country platforms due to the need for urgency and drawing on their institutional knowledge and capacity. The first set of recommendations from the G20 Independent Expert Group in 2023 called for MDBs to reorient their entire operations around country platforms to deliver speed and scale. This would require a changed mindset around the way MDBs work with their national development banks and financial institutions, and their clients. Two country platforms were soft launched at COP28 in Dubai; none have materialized with the World Bank or collective MDB ecosystem.

> We recommend that the Bank call for, support, or even launch a country platform consortium at the 2024 Spring Meetings to pioneer how to get pace and scale for country support packages that deal with GCPs.

The World Bank should make a big bet on pioneering work on country platforms and should invite a consortium of clients to innovate and co-develop a new approach with it in partnership. The World Bank, relevant regional MDBs and, where necessary, the IMF, can jointly anchor a process that aligns and aggregates disparate sources of concessional capital – bilateral, trust funds, and multilateral – and applies guarantees and insurance instruments to crowd in private finance. The Coalition could include different categories of countries: coal-intensive countries that need early retirement mechanisms and financing (like the JETPs), and a few leapfrog countries keen to double or triple their rollout of renewables. There could even be a regional approach (such as ASEAN region interconnections or aggregated distributed renewable energy in sub-Saharan Africa) and sub-sovereign experimentation with urban transport or the like. Country platforms could also be a practical point of entry to support countries with bond issuances coming due, with aggregated MDB financing to expand fiscal space for GCP investment, and to collaborate with public and private creditors to offer what they can, including grants, bond exchange, or even “debt for climate/nature” swaps.

Of course, country platforms can be applied to the full range of GCPs depending on client demand. A 2022 survey conducted by ODI found the top four sectors for which IBRD borrowers wanted Bank support were education, health, climate mitigation and adaptation, and water and sanitation.[11] COP30 in 2025 may force action and provide impetus to make progress on the climate related GCPs, namely: energy; water and adaptation; and forests, climate, and biodiversity. In the run-up to COP30 there will be mounting geopolitical pressure for countries to show how they plan to cut emissions and enhance their NDCs, generating a push factor for new GPG analytics, alongside the pull factor if incentives are visible and credible. A platform approach would help to aggregate and integrate disparate projects into a package large enough to attract private capital and allow credit enhancement tools to be more easily applied. With enough scale, countries are more likely to confront political economy barriers to reforms.

With respect to greenhouse gas mitigation, the large MICs' interest in borrowing will be the determining success factor. President Banga is on record as saying the focus needs to be on ten MICs whose emissions trajectory will undercut the impact of the energy transition to renewables elsewhere and jeopardize the 1.5 °C Paris temperature target.[12] The participation of the private sector in these ten MICs around the rapid build out of renewables could be significantly scaled – if offered support to deal with political and currency risks – since they stand to make money. The Bank should waste no time and invite a subset of these countries plus other high-ambition MICs and LICs to pioneer, co-develop, and tailor country platforms to speed up their transition to a modern, resilient energy system based on renewables and a modern, digital grid. Offering incentives like longer tenors, increased speed and scale may make these valuable GPG projects affordable and get them over the line. That is the ultimate objective of the Roadmap. This initiative can learn from, and build on, the work with JETPs. The European Bank of Reconstruction and Development (EBRD) is leading the way on pioneering country platforms; it has already launched one with Egypt[13] and is developing five more country platforms focused on energy sector transitions.[14] The World Bank and IFC are currently working to strengthen local capital markets in 11 countries as part of their Joint Capital Markets Program (JCAP), and more recently, sustainability objectives have been folded in.[15] JCAP is primarily focused on private finance providers and interacts with development finance institutions

[11] ODI, April 2022, **Country perspectives on multilateral development banks: a survey analysis**

[12] Council on Foreign Relations, September 2023, **David A. Morse Lecture With Ajay Banga**. The ten MICs likely referred to are Brazil, China, India, Indonesia, Mexico, Nigeria, Pakistan, South Africa, Turkey, Vietnam.

[13] Egypt's country-led platform for the Nexus on Water, Food and Energy (NWFE) was launched in November 2022 with the EBRD the lead partner.

[14] With Morocco, Uzbekistan, Turkey, Kazakhstan, and Azerbaijan

[15] IFC, **Joint Capital Market Program (J-CAP)** (webpage, accessed 22 January 2024). The 11 countries the JCAP work with are Colombia, Peru, Serbia, Morocco, WAEMU (+8), Kenya, South Africa, Bangladesh, Indonesia, Vietnam and The Philippines.

(DFIs) when a credit enhancement is needed for a certain project or portfolio. The JCAP provides a good basis to draw and build on if those countries were to opt in to pioneer a country platform around one or more of the GCPs.[16]

For the World Bank to lean into and lead on country platforms, or at-scale support packages like the JETPs, the core country-driven model may need to be recalibrated slightly. Countries rightly decide when to borrow money, and for what, based on their own national development plans and priorities. At the same time, collective action problems like global challenges will require the Bank to empower and encourage the Country Teams to provide a clear supply-side signal to shape and strengthen the demand side of the equation. In their engagements with Sovereigns, Country Managers can offer specific information on the cost and benefits of projects, the incentives on offer, the costs of inaction and failure to address negative externalities, and the private capital flows that could be leveraged by complementary public investments. Providing such a supply side signal does not negate the fact that country platforms must be country owned and led.

The Bank's country engagement model (CEM) must evolve to foster structural transformation, rather than single transactions.

We would also need to figure out how to mobilize and maintain the political leadership required for transformational change. This is an essential element of successful, scaled, structural support packages. For instance, the JETPs were each launched with a leader-level political declaration that money would be mobilized, at scale, to help the country do hard things for national and global benefit. The political agreement came first; then the banks, Trust Funds and intermediaries were tasked with finalizing the investment plan and financing structure, and this work is still in progress. The Bank is well placed to work in partnership with the other MDBs and the private sector, to leverage their expertise, networks, and experience to produce an investment plan, and to structure a financing vehicle for country platforms for the GCPs. The MDB model is, however, not well suited for the high-level sustained political leadership required to get country packages off the ground and over the line. This will have to come from elsewhere.

[16] Egypt's country-led platform for the Nexus on Water, Food and Energy (NWFE) was launched November 2022 with the EBRD as lead partner.

Brazil as G20 President in 2024 and COP President in 2025 is a candidate. In an encouraging move, Brazil has already established the Taskforce on Global Mobilization against Climate Change (TF-CLIMA) to generate high-level support for structural transformations aligned with the Paris Agreement. TF-CLIMA's work is organized around two priority areas: i.) to support a political move beyond project-level mitigation approaches towards credible, robust, and just national transition plans and country platforms that put economies on track for Paris goals and Agenda 2030, and ii) to set principles and priorities for accelerating structural changes in the financial sector including how MDBs and NDBs can support the mobilization of financial resources for climate mitigation and adaptation, and for the implementation of Agenda 2030.[17]

Country platforms are a means to concretize joint-MDB work in an applied, rather than abstract way, and a clear link must be drawn between the JETP 2.0 / country platform asks and existing MDB work on the Country Climate Development Reports (CCDRs) and Long-Term Strategies (LTS). CCDRs are a step in the right direction but need integrating and consolidating with national development plans and transition plans to be turned into an investment pipeline to take to market. Interestingly, now that the Evolution Roadmap exercise is giving some hope that the World Bank will have access to a higher volume of concessional funds for MICs, the World Bank is stepping up its convening and financing role in the South Africa JETP. Raising expectations and experimenting with a dozen country platforms in the next 24 months will entail risk, and organizing the system and constituent parts will be inherently messy. But business as usual is not going to deliver the pace and scale required to get a grip on global challenges.

Part 3: Growing the pie by attracting 4× private finance

The Bank's lending commitments of $130 billion pale in comparison to estimates of developing countries' financial needs for addressing the global challenges of climate change, conflict, and pandemics: an average of $2.4 trillion each year between now and 2030.[18] The problem is not a lack of money in the system: the size of the global economy is expected to surpass $100 trillion in 2023. Even if

[17] G20 Brazil 2024, **Task Force for the Global Mobilization Against Climate Change** (webpage, accessed 22 January 2024)

[18] Word Bank, September 2023, **Final Updated Evolution Paper DC2023-0003.pdf (devcommittee.org)**

the Bank succeeds in squeezing additional dollars from its balance sheet, and raising additional capital from its members, countries will not meet the scale of the challenge without shifting private financial flows. National regulators and central banks the world over are increasingly proactive in using levers at their disposal to shift flows from global public bads to global public goods.

The Roadmap invites scrutiny of the World Bank's private capital mobilization (PCM) endeavours and track record. PCM targets must be reset and published at the Spring Meetings, and performance managed thereafter as part of Roadmap delivery. The Bank needs to set itself stretch goals and be transparent: PCM is constantly pitched as a top priority, yet the agenda seems patchy and piecemeal. Banga's track record, penchant for practical action, and newly created Private Sector Investment Lab instils some optimism, but we need to see a step change in the dollars being deployed. We know what deters private flows to developing countries: political risk, currency risk, policy and regulatory risk, lack of an investment pipeline, and unfamiliarity with the process or technology. The Bank must take a fresh look at MIGA and IFC as two institutions specifically designed and mandated to attract private financial flows for development. Both branches need an injection of big thinking and boldness. The Bank must also foster solutions to foreign exchange risks. It will be hard to hit PCM targets otherwise.

Expand MIGA to offer private financiers more political risk insurance

MIGA should be used more strategically within the Bank and by its clients. Private lenders who avail themselves of MIGA's product offering of political risk insurance (PRI) and products for non-honouring of financial obligations (NH) have only good things to say about the institution: it's lean, efficient, and agile. It is not surprising that investors want more from MIGA since it protects them from political risks like war and civil unrest.

The primary issues are MIGA's low volume, overexposure to high- and upper middle-income countries, and under-utilization by the markets. We support recent recommendations to double MIGA's total exposure before 2030[19] and double its exposure to IDA countries in the same period. The latter will require more staff time and more capital, as IDA deals will be more expensive to insure. Hence, we recommend a discrete capital increase for MIGA in 2024. This is a realistic option that shareholders could get comfortable with, irrespective of the progress of broader discussions about a GCI. MIGA is the only World Bank financing facility that has not received a capital infusion since its establishment,

[19] Center for Global Development, October 2023, **MIGA: The Little Engine that Should**

and it has made excellent use of its initial capital stock of $1 billion (based on $366 million paid-in capital).

A boost to MIGA would enhance the capacity of the entire system, especially if the Bank's guarantee office is consolidated within MIGA's in tandem, and if the eligibility criterion to access credit enhancement products is lowered from BB– to B. MIGA's political risk insurance would make the biggest difference for lower income countries, which can't currently access the capital markets. With a bigger balance sheet, MIGA could build its profile and engage more upstream with debt and equity providers and showcase its track record of getting deals over the line.

Go back to basics with IFC

While the markets like working with MIGA and want more opportunities to do so, the opposite can be said of IFC. The pervasive view is that IFC has lost its way and should go back to basics, but few can agree on what those basics are. IFC's primary function is to handhold the private sector and create the right circumstances to co-invest; but should it focus on standardization for volume or innovation, if it is to be catalytic? Should it organize around countries or sectors? Become entirely green or stay away from climate completely? There are multiple conflicting visions. IFC seems to leave borrowers dissatisfied, in part due to the weight of often competing shareholder demands. These effectively create a long equation for IFC to resolve with each deal, which causes delay and dysfunction.

IFC can look at and learn from its peer organizations: IDB Invest, for example, recently sharpened its mobilization strategies.[20] President Banga must figure out with shareholders what they want the IFC to do and to become, and how to manage its relationship with the Bank as a whole. The appropriate forum for deciding such matters might take the form of a special Board committee or high-level panel. The functional point is we need greater clarity on IFC's vision and mission by the Spring meetings, and concrete progress on their marquee syndication and securitization initiatives. Once the organizing principle is decided and direction of travel set, the dedicated staff can move fast in pursuit of an agenda that's laid out, and issues around risk appetite, pricing structures, incentives, and culture can be addressed.

[20] Devex, 15 February 2022, **IDB Invest 2.0 strategy centers on mobilization of private capital**

Foster solutions to private foreign exchange risk
Countries borrowing from the World Bank can convert loan disbursals into their local currency for a slight surcharge, thereby addressing the risk that their debt service payments may increase if their local currency depreciates.

In addition, foreign exchange risk can deter private investors, especially where local currencies are weak. To help drive private sector investment, the Bank should do more to address concerns about currency fluctuations. This is particularly acute now as interest rates in advanced markets, like the US, have been on the rise, adding even more pressure on currencies in developing countries. This has a chilling effect on overseas private investors as returns on investment in such an environment are more at risk.

Mitigating this risk was a central plank of the Bridgetown Initiative, which proposed that the MDBs and the IMF offer $100 billion a year in currency risk guarantees to drive private investment in low-carbon projects in developing countries. This doesn't seem to have been picked up yet. Other proposals are circulating that use different strategies like hedging, blending, and doing clever things with proxy currencies, among others.[21] This is something the Bank could help figure out on behalf of their client countries.

Part 4: Proving the concept, finding money for GPGs

Reforms and platforms to increase demand for global challenge borrowing are crucial, but only represent one side of the equation. The supply of finance will need to grow in tandem. Bank lending volumes must increase dramatically if the world is to end extreme poverty, boost prosperity, and put the brakes on climate change. An accelerated build-out of sustainable infrastructure in emerging markets and developing economies serves all three ends. As our previous briefing made clear, this is not a case of reallocating a larger portion of the pie to climate finance, but of rapidly growing the size of the pie for all development challenges, local and global. Volume of finance will be a closely monitored and contested space over the coming months and years, and new instruments, efficiency reforms, and capital injections all have a role to play. The Evolution Roadmap must entail so much more than increased lending volumes, but volume is ultimately where it will succeed or fail.

[21] World Bank Blogs, 18 July 2017, **Why addressing FX risk could hold the key to infrastructure investment**

In 2023, the Bank rightly opened up space for innovative, voluntary capital pledging including new concessional finance for IBRD, but this trickle must become a flood in 2024. Development finance is in demand this year, with IDA's replenishment due on top of the Green Climate Fund (GCF) and Global Fund, vertical funds crucial to the global challenges agenda. IDA20 produced a $93 billion financing package; IDA21 is now expected to be north of $100 billion. In short, the immediate needs of the world's least developed countries cannot be overshadowed by efforts to address long-term global challenges. Nor can they be used as an excuse for failing to act on global challenges, which makes for a difficult balancing act of finance supplies.

Without a substantial IDA21 replenishment to support the poorest and most fragile countries, the momentum for World Bank evolution could falter. It would be good to see a stronger focus on crisis preparedness, fragility, energy access and adaptation within the final policy and financing framework to be negotiated throughout 2024 and announced in December.[22] Likewise, lacklustre contributions to the GCF and Global Fund could undercut the Roadmap's purpose. With the prospect of a World Bank General Capital Increase (GCI) looming, these simultaneous demands on the same pot of donor resources risk distracting from and potentially splintering the Roadmap's overall endeavour. Although Capital Adequacy Framework (CAF) efficiency measures can blunt this risk to a degree, ultimately, a strategy for meeting, sequencing, and right-sizing capital needs within the MDB system will be necessary to avoid a political pile-up that obstructs progress. Here we suggest a way to approach this in 2024.

First, boost IBRD funding to make the case for GPGs

The G20 could champion the immediate needs for IDA replenishment as well as one-time voluntary IBRD contributions – the "IBRD boost" – as a first-order priority in 2024, while initiating a conversation about a broader General Capital Increase that can land in another year or so (GCI analysis is a complicated process that will take time to execute and will require consensus).

Starting with an IBRD boost would stagger the budget asks, assuring IDA recipient countries that their needs will be addressed, and making space for a yearlong window to further develop the Evolution Roadmap concept. If donor and recipient countries can align on this sequencing, they will free up more bandwidth to focus on the slate of operational reforms called for in the Roadmap, in line with President Banga's framing of "building a Better Bank

[22] IDA21 will run from July 2025 to June 2028.

before a Bigger Bank." This will also allow more time to build support for new sources of finance, now a top priority given that the level of need for development, adaptation, loss and damage, shock preparedness, and global challenges cannot be met by traditional ODA efforts alone.

Donors should seize the opportunity to innovate with voluntary commitments, as opposed to a burden sharing arrangement, for a one-time boost to IBRD's balance sheet. President Banga has mentioned the possibility of achieving $100–$125 billion[23] in additional lending from the World Bank over ten years composed of such moves coming from outside the typical shareholding structure. Proving the Roadmap concept and rapidly making good on increased GPG lending will strengthen the argument for a subsequent, robust GCI that much more.

A strong Bank target for an IBRD boost in the near term would send a supply-side signal to bolster demand-side reforms and help make the investment case for a GCI in the medium term.

How much for an IBRD boost?

What is the target amount to solve for in scaling the World Bank for GPG lending in the short term and medium term, and across the MDB system? Massive estimates have circulated, calling for revised levels of funding for overall Bank activities, the MDB system, climate finance, the SDGs, etc. based on various economic interpretations of the needs. This can make comparison difficult and overwhelm decision-makers, potentially leading to scepticism and weakened demand for GPG finance. A strong Bank target, however, would send a supply-side signal to bolster demand-side reforms. Let's start with baseline figures for World Bank lending to ground the discussion and inject some political realities of what might be acceptable and achievable in a short timeframe. Recently, the World Bank Group committed to the following lending in FY 2023:[24]

> **IBRD**: $38 billion

> **IDA**: $34 billion

> **IFC**: $27 billion

> **MIGA**: $6 billion (gross issuance).

[23] Reuters, 27 September 2023, **World Bank chief sees $100 bln-plus lending boost from capital moves**

[24] The World Bank, July 2023, **The World Bank Annual Report 2023**

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Realistically speaking, the upper limit for an IBRD boost for GPGs cannot be larger than the existing budgets for either IBRD or IDA. Any larger would be a major paradigm shift, which neither shareholders nor management are ready to approve at this time. At the other end of the spectrum, an insufficient boost would undermine the global challenges agenda and imperil the Bank's new mission. The world can ill afford another unkept promise of help for poor countries to deal with global challenges, climate change in particular. What, then, is the goal for an **additional** global challenges track that adds credibility and has social license to operate?

> We recommend the World bank target **additional annual lending** for global challenges of $30–35 billion a year within three years (by 2026), with varying degrees of concessionality.

This would place the Bank's Global Challenge Programs collectively at about the same scale of current IDA and IBRD budgets. President Banga's initial goal of $100–$125 billion in new lending over ten years ($10–12.5 billion/yr) would already get the Bank about one-third of the way there.

Where will the IBRD boost come from?

$35 billion in addition to current financial capacity is a daunting figure, but the sticker shock is lessened by evaluating the various potential financing components that could move the Bank materially closer to financing the incentives GPGs necessitate.

Guarantees, offered by sovereigns directly as well as from the Bank, are an excellent starting point due to the fantastic leveraging figures that can be achieved. (The US cited additional lending of 25–30× for a proposed portfolio guarantee, similar to an IF-CAP model,[25] still working its way through Congress).[26] That is incredible value for money. World Bank management and shareholders are harnessing recent enthusiasm to make more use of guarantees, with high hopes for new issuances from donor countries. Relatedly, **hybrid capital** leveraged 8–10× could also push the Bank to higher annual lending levels, as Germany recently demonstrated with a €305 million issuance to unlock over

[25] Asian Development Bank, March 2023, **Establishment of the Innovative Finance Facility for Climate in Asia and the Pacific Financing Partnership Facility**

[26] The White House, September 2023, **Fact sheet: Delivering a better, bigger, more effective World Bank**

€2.4 billion in new lending.[27] Evolution requires more experimentation and investment like this in the near term and additional pledges from shareholders.

Further CAF reforms could get us closer to the $35 billion goal. New reports have indicated a degree of slack within the MDB system, on the order of hundreds of billions of dollars in potential lending.[28] The World Bank made headlines with its equity-to-loan nudge from 20% to 19%, unlocking $50 billion over ten years, or $5 billion annually. Can shareholders push further to 18% or even 17%, freeing up another $5–10 billion in annual lending while maintaining the Bank's AAA rating? The onus must be on Bank management to explain why not, and similar CAF evaluation must be executed at all major MDBs. Governments must complete their stress tests on capital calls and ensure continued dialogue with credit ratings agencies to develop new evaluation metrics for **existing** callable capital. Given the growing level of need, it is a logical position to maximize financial efficiency before injecting new capital into the machine.

Re-channelled **Special Drawing Rights (SDRs)** should play a role as well, and the rationale would be strong: the raison d'être for SDR allocations is to serve as a reserve asset to backstop financial stability. The looming debt crisis is itself a global challenge that SDRs could provide a buffer against. Using them to increase investment in GPGs would do just that, contributing to the long-term stability of the international finance system by helping to preclude balance of payment crises in countries affected by climate change, pandemics, conflict, etc. Experts versed in prescribed holder machinations generally agree that surplus SDRs can be re-channelled through MDBs, and development advocates argue they should be. The Bank needs to figure out a solution.

Philanthropies, sovereign wealth funds, and high net worth individuals must be brought off the side-lines to participate in financing while taking advantage of MDB leveraging capabilities. Innovation should not be limited to the standard donor base when non-traditional sources of capital could be the difference in offering incentives to MICs now. Private donors should be able to contribute to the World Bank's capital pool in a non-voting capacity. If attracting novel resources requires governance reforms or the creation of parallel funds that mirror official lending to protect preferred creditor treatment, so be it. Evolution comes in many forms, and the Bank can make a compelling pitch in this regard,

[27] Reuters, 12 October 2023, **World Bank governors endorse 'liveable planet' vision - German minister**

[28] Risk Control Limited, September 2023, **Ratings and Capital Constraints on IBRD and IDA**

by stretching donor dollars on capital markets. Where there's a will, there's a way.

The World Bank could draw on its role as trustee of various Trust Funds to develop a proposal to **rationalize and consolidate the fragmented international development finance architecture** to free up and redirect concessional finance. Trust Funds were created for good reason when the MDBs were not mandated to prioritize global challenges. The concessionality framework to tackle GPGs must work with the vertical Trust Funds and FIFs, blend with their resources, and not add to the existing fragmentation. Since concessional financing is so scarce, it is crucial we use what already exists in the system with maximum synergy. Two plus two must equal five. As part of the Roadmap, it is worth revisiting the rationale for these funds and running the numbers to see how much more concessional finance could be generated if they were pooled and redirected to the IBRD, which has far greater leverage rates given its balance sheets. This idea is on the agenda of the G20 Sustainable Finance Working Group in 2024, so progress on it is expected this year.

With some determined donor creativity, the above suite of potential resources – guarantees, hybrid capital, callable capital, SDRs, non-traditional investment, and fund rationalization – could credibly tally an extra $30 billion in annual lending in the near term.[29]

Where will the boost sit?

IBRD has an existing GPG fund, which is already being rebranded as the "Liveable Planet Fund". It is small – $50 million – but could be used to hold concessional pledges. As a concept, the concessionality pledges under the LPF should incentivize maximum impact on GPG projects with cross-border externalities. The objective here is to make valuable GPG projects happen, which otherwise wouldn't, because the domestic cost is too high, relative to alternatives.

Another approach would be to informally ringfence additional resources for GPGs on the IBRD balance sheet. Creating a new formal structure would take time and energy to reach consensus on its precise form and function. That time might be better spent on mobilizing the additional resources and developing methodologies to deploy them, learning as we go. Whether constructed as a

[29] MDB Reform Accelerator, August 2023, **Proposals for a global public goods financing facility at the World Bank**

standalone window or aggregated among the existing Bank institutions including IBRD's Liveable Planet fund, the mandate will require funding.

Lay the groundwork for a GCI at the Bank, and to right-size the MDB system

As donors shore up IBRD for increased GPG lending, hopefully making a strong case for further investment, shareholders can then begin the serious work of expanding the larger balance sheet. The most recent capital increase in 2018 entailed $7.5 billion paid-in capital for IBRD, unlocking $60 billion in headroom, as well as $5.5 billion paid-in capital for IFC.[30] The goal effectively enabled Bank-wide lending capacity to surpass $100 billion/year in the 2020s.

What's the appropriate goal for the Bank's next GCI? Is this even the right question? The World Bank is one bank in a system of development finance institutions (DFIs).[31] Its larger shareholders typically fund multiple MDBs as well as bilateral and plurilateral pots of money and must weigh allocations within their home budgets, based on relative performance data, and in accordance with political dynamics and levels of support. Now more than ever, it is necessary to evaluate how global needs might be addressed across the system, to give donors a snapshot of what is expected and a guiding target.

To this end, India appointed an independent expert group on MDB reform to resolve this question as part of their G20 Presidency in 2023. The group found that to adequately address climate change and the SDGs, MDB lending to developing countries would need to triple by 2030, to **almost $400 billion**.[32] Other proposals point to the same scale and direction.[33,34] The G20 has not formally adopted this as a target, and President Banga has expressed what a significant gap this represents relative to current levels of paid-in capital and lending.[35] We suggest the Bank's shareholders formally request staff to start the analytical work on financing scenarios to inform a capital increase for when the time comes.

[30] The World Bank, 2023, **The World Bank Group's 2018 capital increase package: An independent validation of implementation and results**

[31] Finance in Common, **What are public development banks?** (webpage, accessed 19 January 2024)

[32] G20 Independent Experts Group, June 2023, **Strengthening Multilateral Development Banks: The Triple Agenda**, and October 2023, **The Triple Agenda: A Roadmap for Better, Bolder and Bigger MDBs**

[33] Grantham Research Institute on Climate Change and the Environment, November 2021, **Beyond the $100 billion: financing a sustainable and resilient future**

[34] Independent High-Level Expert Group on Climate Finance, November 2022, **Finance for climate action: Scaling up investment for climate and development**

[35] Council on Foreign Relations, September 2023, **David A. Morse Lecture With Ajay Banga**

For illustrative purposes, Table 1 shows what a tripling of the current baseline of lending to LMICs would mean for each MDB (as well as its climate finance component). This crude calculation shows that the World Bank's annual lending would be scaled to a quarter trillion dollars by 2030. Of course, decisions on relative MDB capital injections will need to be underpinned by more sophisticated analytics and negotiations to ascertain, and appropriate, the paid-in capital required for an enhanced envelope.

Table 1: 2022 MDB finance for LMICs[36] and projected tripling by 2030 ($bn)

MDB	2022 climate finance	3× annual climate finance	2022 total finance	3× annual total finance
AfDB	3.7	11.0	8.5	25.5
ADB	7.1	21.3	18.7	56.1
AIIB	2.3	6.9	6.6	19.8
CEB	0.3	0.9	1.5	4.4
EBRD	4.3	12.9	9.1	27.4
EIB	4.2	12.5	7.4	22.3
IaDB	5.7	17.0	17.2	51.6
IsDB	1.1	3.2	3.2	9.5
NDB	0.5	1.4	1.7	5.0
WBG	31.7	95.0	88.0	263.9
Total	**60.7**	**182.0**	**141.1**	**423.3**

Source: **2022 Joint report on multilateral development banks' climate finance** (for 2022 figures, rounded for clarity)

Increased World Bank capitalization is not a given but will be a heavy lift. Whether or not ×3 is the right force multiplier, the MDB system needs to be undeniably bigger to tackle global challenges, requiring significant capital injection and efficiency measures this decade if developing countries are to

[36] European Investment Bank, 2023, **2022 Joint Report on Multilateral Development Banks' Climate Finance**

thrive and invest in GPGs/GCPs. The investment case to mobilize such volumes will have to be rock-solid for it to clear political hurdles in key capitals.

Ultimately, governments will funnel money into the public finance institutions that lend most effectively, whether bilaterally, via the MDBs, or otherwise. This is why the World Bank must prove its premier value by investing in GPGs that deliver measurable outcomes. Getting the incentives, analytics, and allocation framework for global challenges in place, as well as increasing the mobilization of private finance, would help tremendously. Doing so would set up the Bank as a standard bearer in expanding the supply of finance across the MDB system.

The World Bank as norm-shifter and standard-setter

The MDBs and DFIs do not just lend money, they also shape norms, set standards, and mark the direction of travel. Global challenges demand coherence across global economic policymaking, and deployment of all available tools through closer cooperation between the Bank, MDBs, IMF, and the World Trade Organization. Here we highlight a few critical areas for intensified collaboration that could put a dent in global challenges:

> **The Bank–Fund Climate Advisory Group** should better coordinate climate-related work streams such as how to make effective use of the CCDRs, incorporate macro-critical climate issues as part of the Article IV consultations, and minimize duplication between the Fund's Resilience and Sustainability Trust Fund and the Bank's work in this space.

> **Fossil fuel subsidies** cannot continue. In a world where Bank shareholders are urging clients to borrow more to address global challenges like climate change, it is perverse that, with the other hand, they are subsidizing the very activities that make the global challenge worse. The ethos behind the Evolution Roadmap must mean the end of the road for this glaring incongruency. Harmful subsidies for agriculture and fisheries also need tackling and repurposing.

> **A tax regime** that works with, not against, GCPs should be prioritized. The World Bank and IMF must work hand in glove to support countries' domestic mobilization of resources through a tax agenda that contributes to and is congruent with global challenges.

> **Debt reprofiling** could be approached in partnership with the IMF via country platforms in addition to the Common Framework. The level of debt vulnerability is at alarming levels, and the Bank and the Fund must

mobilize international actors to offer help to countries now – in 2024. The country platform concept offers a way to facilitate that, as described in Part 2. Sovereign defaults will stall progress on global challenges and further poison the multilateral well.

> **Trade instruments** should be explored and deployed. The WTO offers the Bank's clients access to trade benefits through market access and preferential treatment. Country platforms could be expanded beyond energy transition to include investments in low-carbon supply chains. LMICs don't just want help on the downside, they want assistance to position their economies to take advantage of the upside.

> **The rationalization of global climate funds** is now a priority of the G20 Sustainable Finance Working Group. These funds reduce the financial efficiency of the system at a time where every cent is needed, and their proliferation is a hurdle for borrowers to navigate. It is time for shareholders to make rationalization happen. There are clear conflicts inside and outside the World Bank, so this will not be easy.

> **Climate impacts and economic shocks** are here to stay, and the world is ill-prepared for the black and green swan events coming down the pike. By expanding its Emergency Toolkit and IDA crisis funds in late 2023, the Bank joined more traditional risk management institutions in positioning itself as a shock absorber in times of crisis. Zooming out, the IMF and the World Bank are two institutions well placed to lead work on managing risks and shocks in developing countries, perhaps contributing to the systemic risk work of the G20, FSB, and Basel Committee. The Bank could do more to support client countries identify and understand their risks through the Country Partnership Framework and CCDRs.

Conclusion

The Evolution Roadmap started out over a year ago, and many stakeholders were sceptical. Amid successive shocks and constant crises, the idea that shareholders would take the World Bank in a fundamentally new direction represented a philosophical departure that cannot be underestimated. Yet in 2023, the Bank saw the arrival of a new President, new vision, and new mission: "Ending poverty on a liveable planet". The Bank is to be commended for being the first MDB to commit to global public goods in its mission statement and openly grappling with what this means for its operational and financing model.

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These additional four words promise so much and demand a full program of work in 2024 to deliver on that promise. The agenda is ambitious and expansive; and while it can be hard to know where to start, or whether we are making enough progress, the current political momentum is strong. MDBs have been rightly recognized as the most promising institutions to deal with global challenges and are now putting an end to the myth that doing so is at odds with poverty alleviation.

Our aim in this paper is to outline four priority areas where we need to see progress in the next 12 months to operationalize and finance the Bank's GPG agenda, on both the demand and supply side.

1. We need to see scaled up analytics to apply a menu of incentives for GPG investment within a fair and transparent allocation framework.
2. We suggest the Bank invite 10–12 of its middle-income clients to pioneer and co-develop country platforms in a handful of Global Challenge Programs (GCPs). Investment plans can be expedited and used to apply incentives and instruments to crowd in private finance.
3. We argue that the Bank should publish revised targets for PCM and reform MIGA and the IFC to meet them.
4. We need more volume. In the near term we suggest a goal of $30–$35 billion of additional annual lending to finance the GCPs by 2026, proving the concept and making the investment case for a significant capital increase to set up the system to meet climate and development needs out to 2030. This is in addition to replenishment of IDA in 2024 and relevant Trust Funds. It is an ambitious work agenda and will be expensive. Now is no time for complacency or the unaspiring.

By the 2024 Spring Meetings, the Bank should:

> Advance negotiations for an ambitious IDA21 with a stronger focus on crisis preparedness, fragility, and energy access and adaptation to support the poorest and most fragile countries.

> Launch the concessionality framework clarifying the menu of incentives on offer to borrowing countries and how these incentives will be allocated.

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> Clarify that the GCPs will provide the underpinning of the Roadmap's investment in GPGs and release the methodologies where they exist.

> Launch a coalition of countries to co-develop country platforms in a few early-stage GCPs like energy or biodiversity and climate, perhaps in partnership with Brazil as G20 President and the relevant MDB.

> Publish revised targets for private capital mobilization. To this end, identify the institutional home for the Global Emerging Markets risk (GEMS) database and launch innovative financing mechanisms such as IFC's securitization platform.

> Announce an injection to double the size of MIGA, expand the eligibility criteria, and create a unified front office for all Bank guarantees.

> Provide an update on the callable capital framework which may facilitate a further lowering of the equity-to-loan ratio.

> Confirm new pledges to the shareholders' guarantee platform and hybrid capital issuance including pilot SDR holdings.

> Start work on the financial scenarios for a General Capital Increase, knowing that it will take a year or more to perform the underlying analysis, source appropriate funds, and get the scale right.

By the 2024 Annual Meetings, the Bank would:

> Present work in progress on methodologies for the remaining GCPs and invite feedback to further refine, especially in adaptation and nature.

> Invite countries in the country platform consortium to present progress on their National Transition Plans and GCP Investment Plans, having drawn on all available technical assistance to expedite the process; CCDRs will have evolved into investment-grade project pipelines in a few cases.

> Publish GEMs. Announce further CAF measures. Solidify more shareholder pledges to the guarantee platform and hybrid capital issuance. Secure private finance and philanthropic donor investment in a parallel fund to be leveraged alongside IBRD for enhanced GCP lending.

> Publish how much additional lending has been mobilized for GCPs by capital adequacy measures, financial innovation, and fresh injections.

> Provide a progress update on IDA21 — which will run from July 2025 to June 2028. The final replenishment package (policy and financing) framework will be announced in December 2024.

This is not the whole body of work necessary to get to grips with global challenges; the Bank is but one institution and our focus is on the next twelve months. There are many challenges that threaten this agenda, not least hot conflicts, low growth, and climate change. The science says we need to be much more ambitious on climate mitigation and adaptation, and increasingly the Bank's clients demand the same. The World Bank was born out of the needs of the time and has evolved before; it must evolve again to meet the current moment. The Bank has the potential to be the key financial institution that leads the world to climate safety, poverty elimination, and a brighter, more equitable future. This is where the Roadmap must lead us.

About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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