

Mr. Geir Hilmar Haarde

Executive Director, Office of the Nordic-Baltic Constituency

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World Bank Annual Meetings 2020

Dear Mr. Haarde

We, the Nordic-Baltic civil society constituency working for human rights, the eradication of poverty, climate justice as well as fair distribution of power and resources, thank you for the opportunity to comment on the Nordic-Baltic Constituency's work within the World Bank. We would like to take the opportunity to raise some issues of concern ahead of the 2020 annual meetings.

Securing Debt Sustainability for Financing of the SDGs

Both the short- and long-term effects of the corona crisis on poverty and inequality globally are extremely worrying. The implications of the crisis will have far-reaching detrimental effects on the fulfillment of the Sustainable Development Goals (SDG) and human rights obligations in developing countries especially. The corona crisis has exposed the fragility created by excessive willingness and possibility to take on financial risk. The checks and balances aimed at securing debt sustainability are insufficient. Before the corona crisis, global debt levels were record high due to a combination of easy access to financing in the wake of the 2008 financial crisis coupled with weak systems for securing responsible lending and borrowing from all types of creditors to sovereigns. The multilateral inability to bring private creditors to the negotiation table also exposes the weaknesses of the current system for securing effective and equitable solutions to sovereign defaults.

There is substantial data underlining the severe human consequences of protracted sovereign defaults. We commend the World Bank for the progressive role it is playing in calling for substantial political contributions in mediating the negative effects of sovereign debt distress, including debt relief when needed in order to bring debt levels down to a sustainable level. We encourage the World Bank to work with the G20 to extend and strengthen the Debt Service Suspension Initiative in order to secure a freeze on the debt service payments for as long as it is needed, and at least through 2021. Faced with an education emergency, dramatically rising poverty and worsening nutritional conditions, especially among children, the 73 countries covered by the DSSI should be supported to prioritize domestic social spending over debt repayments. Moreover, we encourage the World Bank to keep taking an active role going forward in calling for eligibility of a wider range of countries in the initiative. As recognized by the G7 Heads of States during their meeting in late September there is a need for debt treatment beyond the question of liquidity. We therefore encourage the Bank to call for renewed global efforts towards strengthening the global systems for debt crisis resolution, giving tangible effects for private sector involvement. We believe that agreeing on a global all-encompassing framework is both vital and urgent in order to ensure global human rights as well as attaining the SDGs in only ten years. We would be very interested in hearing your views on this, and if you agree, which practical next steps might be taken.

Contingent liabilities in PPP contracts

Contingent liabilities in Public Private Partnerships pose a great risk to economic stability in the wake of the corona crisis. We encourage the World Bank to take a strong position on the need for transparency in all PPP contracts, making disclosure of contingent liabilities mandatory. Mandatory fiscal risk and human rights impacts assessments should also be included in the PPP Operational Guidelines.

Energy Access for a Just Recovery

Around 789 million people – predominantly in sub-Saharan Africa – are living without access to electricity, and further several hundred million people have only limited access to or unreliable electricity supply. As the World Bank Group along with other public institutions prepare historic stimulus packages in response to the pandemic, we would like to underline the importance of support for distributed renewable energy for those lacking access to electricity. This is critical for improving health outcomes during the pandemic as well as building a just recovery with a more equitable and sustainable economy. As the climate crisis escalates, building energy systems that are resilient to future crises, including global market shocks and natural disasters that are expected to intensify over the coming century becomes even more important. However, since COVID-19 the WBG spending on access to sustainable energy has been limited. We urge the WBG to scale up the support to distribute renewable energy.

Supplementary IDA budget

In its response to the COVID-19 pandemic, the Bank announced \$160 billion has been made available in financing, tailored to the health, economic, and social shocks that countries are facing, including over \$50 billions of IDA resources on grant and highly concessional terms. However, this IDA financing is being provided by frontloading existing funding commitments, rather than from new and additional resources which are needed for responding to this crisis. Although this is commendable it is far from enough. Estimates show that there is a gap of 35 \$billion. We therefore recommend that the World Bank increase the supplementary IDA budget to \$35 billion over the next two years and urge donors to support this through as much as possible in grant financing.

Best regards,

Debt Justice Norway (SLUG)
The Norwegian Forum for Development and Environment
Changemaker (Norway)
ActionAid Denmark
Oxfam IBIS (Denmark)
Norwegian Church Aid
Diakonia (Sweden)
Act Church of Sweden
Save the Children Norway

This letter has also been sent to national ministries within the Nordic-Baltic constituency.