

World Bank Annual Meetings 2023 Nordic-Baltic CSO Letter

Dear Ms. Lind

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 2023 annual meetings.

Responsible Financing and Transparency

The lack of progress in building more robust systems for preventing and resolving sovereign debt crises continues to worry civil society. One key aspect in both preventing and resolving existing and future crises is transparency. The lack of a robust system for ensuring comprehensive and timely information on the composition of sovereign debt owed to all types of creditor groups is a big gap in the existing debt architecture, as has been pointed out by both the World Bank and the IMF.

The IIF 2019 *Voluntary Principles for Debt Transparency* and the ensuing OECD Debt Transparency Initiative had promising elements, but as shown by Debt Justice UK, has large shortcomings in implementation. This initiative also encompasses only one creditor group: The private sector. There is a great need for a comprehensive dataset, available for public scrutiny, where all forms of sovereign debt from all types of creditors is readily available. The IMF and the World Bank already host much of this relevant information with limited disclosure to the public. The fund and the IMF should be mandated to work together to set up such a publicly available, user-friendly, registry for all types of government debt, after the model of the OECD registry.

According to Norwegian minister of Development, Anne Beathe Tvinneim, the Nordic Baltic constituency of the World Bank has asked the World Bank to initiate the establishment of "a global framework for full disclosure of sovereign loan contract terms and payment schedules".

- *How is this work currently being followed up by the Executive Directors office and how has this proposal been received by the boards of the IMF and the World Bank?*

A worsening debt crisis in the global south that is hindering climate action

Despite the attempts by the IMF to argue that the [debt crisis is not yet a systemic crisis](#), it is clear that we are facing a [rapidly worsening debt crisis](#) in the global south. Up to 136 countries are in a [critical or very critical debt situation](#). Lower income country [debt payments in 2023 will hit the highest level](#) since 1998, with borrowing costs outweighing [health, education](#) and [climate spending](#) in many countries. In light of this situation, the G20 Common Framework and debt restructuring processes outside the framework, are clearly not delivering on fair,

timely and comprehensive sovereign debt resolution. The current debt architecture is not fit for purpose and a reform is urgently needed.

Many key institutions and decision makers have recognised that high debt levels are undermining climate action in vulnerable countries, including [UNCTAD](#) the [V20](#) and the IMF itself. [62% of IMF](#) borrowers are among the top third of most climate vulnerable countries. In an effort to generate revenue to repay debt, many lower income countries are also [turning to their natural resources, including fossil fuels](#). This is often encouraged and enforced by the IMF's own surveillance and lending agreements. For example, the IMF has recently endorsed scaling up fossil fuel exports and investment in related infrastructure in both [Uganda](#) and [Argentina](#). Additionally, inadequate climate finance in the form of non-concessional lending for mitigation, adaptation and addressing loss and damage is forcing many lower income countries further into debt. On top of [71% of climate finance being currently provided as loans](#) (with just 26% provided as grants and 3% as equity), the climate crisis is also [increasing borrowing costs](#).

In light of this, we are deeply concerned about proposals to increase lending from MDBs and the private sector to plug the climate finance gap. This will exacerbate debt levels and force the costs of the climate crisis onto lower income countries. It will also open the door to new conditionalities particularly by the World Bank and the IMF which have been [proven ineffective](#) for delivering on the SDGs and people's economic, social and cultural rights. Furthermore, without debt relief, any new loans to lower income countries will likely have to be used to repay existing creditors as opposed to being allocated to climate action. If a high proportion of these loans come from MDBs and the IMF, when debt relief does inevitably take place in coming years, multilateral institutions will have to cancel much more than if debt relief took place now.

A profound review of the Debt Sustainability Analyses is required

Debt sustainability analyses are a key element in debt restructuring negotiations. The DSA is the basis for determining not only the size of the IMF loan within a new programme, but is also used to indicate the amount by which debt should be reduced to reach sustainable levels, mainly focusing on the country's repayment capacity. However, climate vulnerabilities and climate finance needs, together with broader SDGs financing needs, have been systematically excluded from the IMF evaluation of debt sustainability. The [Sovereign Risk and Debt Sustainability Framework for Market Access Countries](#) (SRDSF - the result of the MAC DSA review in 2022) addressed climate for the first time, albeit in a non-comprehensive way'. The climate submodules are not compulsory and they fail to properly address the impacts of climate change or the financing needs for mitigation and adaptation. Climate risks, impacts and financing needs are still not included in low-income countries DSAs, and the outcomes of the implementation of climate submodules for market access countries are very poor. A profound review of the IMF and World Bank approach to DSAs is urgently needed, not only tweaking the existing methodology, but opening a debate on the role, composition and use of DSAs, including the need for a debt sustainability analysis by an independent institution and ensuring debt services are not an obstacle to fulfilling international obligations on climate goals and human rights.

Questions:

- *Countries in debt distress need unconditional debt cancellation, especially in light of the urgent need to address the climate crisis. But the Common Framework isn't adequate and it isn't working. What options do you see for a broader discussion on debt architecture reform? What is your opinion on the need for the World Bank and the IMF to participate in debt restructuring and deliver on debt cancellation to countries in crisis?*
- *What is your response to the risks entailed by proposing debt-creating climate finance solutions for debt distressed countries? What is the IMF response to simultaneous debt and climate crises?*
- *In light of the upcoming LIC DSF review, would you support a broader discussion on debt sustainability and the fulfillment of international climate obligations and the mandatory use of climate modules?*

Universal social protection

In previous letters, we have raised concerns that the World Bank continues to promote poverty-targeted systems rather than universal and rights-based social protection. There are many good arguments for universality, while there is, in essence, only one argument for means-testing that, at first sight, appears valid. It is an argument that typically overrides all others: poverty-targeted programmes are less expensive than universal schemes. And, alongside this argument comes the standard argument against universality: “universal social security is simply not affordable in poor countries”.

However, the recent report from Act Church of Sweden and Development Pathways, [An affordable and feasible pathway to universal social security](#), challenges this standard argument. With the examples of Ghana, India, Uganda, and Vietnam it shows that a universal system covering old age, disability, and child benefits can be delivered at a cost of between 1.5-3 percent of GDP for the countries included in the study. While this level of finance can be challenging for low- and middle-income countries, the study shows that if introduced gradually, these investments are in fact affordable. The analysis further shows that the impact on poverty would be remarkable: after the schemes have been fully implemented in 2038, the national poverty rate in these countries would fall by between 45 and 70 percent.

For your information, we would like to inform you that Act Church of Sweden is part of the international campaign *Social Security for All: Key Pillar for New Eco-Social Contract* which is going to be launched in the beginning of October. Below are a few of the demands that are addressed at the World Bank:

- The World Bank and the IMF should immediately commit to support states to progressively realize the right to social security. This involves setting up or strengthening rights-aligned universal social protection systems, beginning with the establishment of social protection floors in line with ILO Recommendation 202.
- The World Bank should immediately stop developing any new poverty-targeting program, and phase out existing ones, along with related technologies and privacy-invasive infrastructure such as social registries, and replace them with universal programs. It should additionally strengthen a fair distribution of resources by coupling

universal social security with fiscal reforms that reduce inequality. During the phase out of current poverty-targeting programs, it should:

- Commit to and fully disclose thorough, independent evaluations of poverty targeted programs, including their decision-making criteria, and how they are implemented.
- Use methodologies other than benefit incidence analysis to evaluate poverty targeting's effectiveness and human rights impact, such as inclusion/exclusion and perception analyses, and algorithmic audits for bias, discrimination and error where relevant

Finally, with reference to earlier discussions on universal social protection, we would like to call to your attention a proposal for a roundtable discussion around the role of the IMF and the World Bank in promoting universal social protection that we were discussing in the beginning of 2023. As your office has been busy with the "evolution roadmap", the initiative has been postponed, but we hope that the idea can be resumed, and the proposed meeting be organized within the near future.

Questions:

- *What are your comments to the demands from the international campaign for universal social security?*
- *Are you willing to initiate the proposed roundtable meeting on the role of the IMF and the World Bank in promoting universal social protection? When could such a meeting take place?*

World Bank Gender Strategy

The new Gender Strategy will be finalized in the beginning of 2024 and consultation process with various stakeholders is open until the end of November. The Kvinna till Kvinna Foundation and women's rights organizations that we partner with have had two meetings with the World Bank's gender team providing input.

We welcome that the draft of the new Gender Strategy includes a human rights language particularly in relation to Sexual and Reproductive Health and Rights (SRHR) and property rights, an emphasis on gender equality, and addresses structural constraints that hinders women's rights. Ending gender-based violence (GBV) as the first strategic objective of the strategy is a big step forward, emphasizing prevention measures.

We would like to point to four areas of concern:

Despite the increase of violent conflicts and fragile states and the World Banks' expanding financial support to these states, the Gender Strategy **lacks explicit integration of gender analysis into conflict assessments, post-conflict reforms, and recovery programs**. Gender equality is essential for inclusion, addressing inequality, and tackling the root causes of fragility, all of which are prominent commitments in the World Bank's FCV Strategy. There is a notable and concerning lack of alignment between the Gender Strategy and the Strategy on Fragility, Conflict, Violence (FCV).

We note that the strategy only briefly mentions the integration of **gender analysis in macroeconomic policies**. This requires more explicit clarification, prioritization and clear goals, as we know that austerity measures, such as decrease in social protection mechanisms, undermine gender equality. An over-reliance on micro-level analyses to address structural barriers and promote gender equality is not a sustainable approach, given the World Bank's macroeconomic influence.

As the strategy is not mandatory for global or national-level operations, it is crucial to ensure that **gender equality is at the core of the Evolution Roadmap**, and that the Evolution Roadmap contains explicit references to the Gender Strategy. Additionally, it is crucial to firmly embed gender equality and the Gender Strategy in the leadership structure of the World Bank Group. This entails a significant investment in enhancing the technical capacity for advancing gender equality within the organization.

Expressing significant concerns due to the non-mandatory nature of the strategy, we raise questions about its **implementation and the mechanisms in place for ensuring accountability**. The strategy needs clarity regarding how the World Bank will strengthen the gender analysis and women's rights within Country Partnership Frameworks (CPF), including the establishment of formal channels for dialogue and consultation with national women's rights organizations. These aspects are pivotal for effective efforts towards gender equality.

Finally, we would like to pose the following questions;

- *In what way will you actively push for that gender analysis will be explicitly part of conflict assessments, post-conflict reforms, and recovery programs considering WB's commitments on FCV?*
- *Which possibilities can you see to strengthen gender equality and gender analysis in the Evolution Road Map and to make the Gender Strategy mandatory in the WBs operations?*
- *Will you support and request clarification of the actual implementation, such as the necessity to make gender action plans on country-level based on the Gender Strategy, strengthening the CPFs, and set up channels for formal dialogue with women's rights organizations?*

Climate Finance & Energy

We have long raised concerns related to the World Bank's continued investments in fossil fuels and indirect investments in fossil fuel infrastructure. And wish to highlight that the past two years' efforts to include climate change as part of the Bank's work and operational model have not gone unnoticed. In the letter following up to the Spring Meetings 2023 we raised a few points on how this could be improved and the disparity we see between the Bank's stated ambition as a climate actor and its actual strategies, rhetoric and operations. We would like to reemphasize our hope that Lene Lind's team will continue to advocate for these points in relation to the evolution roadmap and other aspects of the Bank's work.

Again, it seems necessary to highlight that tackling climate change and achieving poverty reduction, shared prosperity and mitigating pandemic risks and FCV go hand in hand. While climate change is not inherently more important than other issues, it does have a negative impact on and is intertwined with these other goals, making it difficult to achieve one without also addressing climate change. Historically, fossil fuels have been an important part of economic development, however, this is not the case anymore, supporting fossil fuel projects

(including gas) in low- and middle-income countries is counterproductive as it creates [fossil fuel lock-ins](#). It is therefore of utmost importance that it is clear in World Bank policies and operations that mitigating and addressing climate change is a key pillar of “fostering sustainable, resilient and inclusive development”. The bank as an institution focuses heavily on economic growth, this growth must be decoupled from GHG emissions.

- It is highly problematic that no reference to fossil fuels nor the 1.5-degree target is made in the evolution roadmap. This raises concerns about a superstition for technical solutions such as CCS and CCU rather than tackling the root cause of the climate crises, - fossil fuels.

The joint [CSO letter](#) published in July 2023 raises concerns related to the evolution roadmap. A key issue is the underlying analysis of “the current crises of development” where the bank does not address the current exploitative economic system as part of the underlying issue. And hence, there is a lack of reflection on the World Bank’s historic contribution to and role in this. Another aspect is the emphasis on the Cascade approach where we argue that there is an over belief in the soundness and efficiency of this approach as it relies on a financial system that has resulted in the type of inequalities that we see today. It risks prioritizing private financial interests over public interests for environmental, climate change, human rights or other aims. This calls into question the development value of private investments. This is also an approach that we see is spreading across governments’ development cooperation strategies. And hence a clear strategy on how this can be achieved in an inclusive, socially, and environmentally sound way is needed.

- When it comes to climate finance, private finance may work for mitigation projects, but it is unclear how this can be mobilized for adaptation and loss and damage finance. We are therefore concerned that this emphasis will further skew the balance between climate finance for mitigation, adaptation (and upcoming loss and damage) and leave the most vulnerable communities in most need of finance behind.
- Climate finance to vulnerable countries must be given as grants and concessional loans in order to not put countries in further debt crises. Debt crises drive climate changes as it forces countries to engage in activities related to fossil fuels and deforestation.

These aspects push for the world bank to address and integrate climate justice in their operations and policy advice. Focus must lie on a just societal transition and not solely an energy transition. Substituting coal for renewable energy will not solve the structural issues that exist within societies. Furthermore, the many people that directly or indirectly depend on the fossil fuel industry in countries across the world must be part of the solution to allow for a just transition.

- An essential element in ensuring longevity and sustainability of projects is active engagement with local communities, civil society and grass roots organisations. It is imperative that these projects are informed by the insights and needs of people on the ground. One way of doing this is by actively promoting civil society participation in consultations related to the Country Engagement process. In this regard, Recourse,

supported by SSNC, has developed a [guide for civil society in Tanzania](#) and will continue these efforts in Ethiopia.

We wish to pose the following questions:

- *Will you work for increased transparency and inclusion of CSOs in the development of the Paris Alignment methodology? The EBRD successfully consulted civil society in developing its Paris alignment methodology, so this should be a requirement on all MDBs in the Joint MDB Working Group on Paris Alignment.*
- *Will (and if so how) the Bank work for increased transparency and participation of local communities and CSOs in the development of the Country Partnership Frameworks, investments and consultations of projects on the ground? There is no mention of this in the evolution roadmap*
- *In relation to Paris Alignment methodology exclusions, to what extent will the methodology rely on solutions that according to many CSOs and researchers are uneconomic and unsustainable such as CCUS, large hydro, nuclear, fossil gas, and fossil-based hydrogen?*
- *A truly just energy transition, this means ensuring that the renewable energy transition and the minerals it depends on does not result in a new era of colonial resource exploitation. Can we expect measures to mitigate these impacts and ensure communities do not bear the cost of the transition to renewables? This also includes expansion of green hydrogen.*
- *What is the status of the MDBs role in loss and damage financing?*
- *Can you please clarify this point stated in the COP27 joint statement? “Voluntary Cooperative Approaches: As recognised under Article 6 of the Paris Agreement, the MDBs are supporting the development of market and non-market instruments, such as monetisation of adaptation benefits and verified emissions reductions. What type of projects under article 6 is the bank supporting?*
- *What type of adaptation projects do you consider suitable for private investments and or loans?*

Debt Justice Norway

Swedish Society for Nature Conservation

Act Church of Sweden

Save the Children Norway

Norwegian Church Aid

The Kvinna till Kvinna Foundation

