

World Bank Annual Meetings 2021 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 2021 annual meetings.

Debt Sustainability & latent fiscal risks in PPP contracts

We are very happy about the constructive and crucial political leadership World Bank president David Malpass has assumed in dealing with the sovereign debt crisis in developing countries, exacerbated by the COVID pandemic. We hope the World Bank will continue to call for preemptive debt relief for countries in need, so as to facilitate the reinstatement of sovereign debt sustainability. We hope the funding of a potential future multilateral debt relief scheme will be made possible through donations from countries in a fiscal position to contribute.

The need for responsible lending practices, to ensure debt sustainability, is evident in the World Bank's own lending arrangements through the promotion of PPP contracts. However, contingent liabilities in PPP contracts could pose an additional threat to sovereign debt sustainability in the time to come, as [underlined](#) by the International Monetary Fund. Should contingent liabilities in PPP contracts be realized in the current fiscal environment this could put a significant strain on government resources. The World Bank should advocate for all contingent liabilities to be accounted for on public balance sheets so as to disincentivize the masking of sovereign loan obligations. 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.

Social Protection

At the biannual Nordic-Baltic CSO & ED meeting this Spring, we raised the importance of increased investments in social protection – especially as the Covid pandemic has exposed the dramatic human, social and economic costs of long under investment in this area. We now reiterate our call for the World Bank to move away from the narrow perspective of “safety nets” and instead support countries' efforts to establish social protection floors, in line with ILO standards and SDG1.3. The importance of this call is underlined by the recent [World Social Protection Report 2020-22](#).

In order for the Nordic-Baltic countries' policies to be coherent across different international fora, it is important that the Nordic-Baltic constituency insists that the World Bank consider recent decisions that were taken by the [International Labour Conference](#), including the framework for action towards universal, adequate, comprehensive and sustainable social protection systems. In the same resolution, ILO's normative role in the area of social protection was confirmed:

In line with its constitutional mandate to set international social security standards (...) the ILO should: (a) reinforce its leadership role in ensuring policy coherence on social protection in the multilateral system... (paragraf 21 a)

During the next few months, two different policy processes are finalised, which together will shape the World Bank's support of social protection for the next coming years. First, social protection is an important element in the IDA20 package (especially in terms of the Special Theme on Human Capital). Detailed suggestions on the draft policy commitments, prepared by a number of civil society organisations through the Global Coalition for Social Protection Floors, [can be found here](#). We hope that you give due consideration to these suggestions. Second, the [Social Protection and Labour Strategy 2012-2021](#) is going to be replaced by a "Social Protection and Jobs Compass". Although the Compass is not a strategy to be adopted by the executive board, it is still an important document to influence. CSOs expect to be invited to consultations on draft documents and will inform you about our experiences from this process.

The World Bank has been promoting poverty targeted social assistance ("safety nets") for a long time. Poverty targeting is problematic as the targeting methods (such as proxy means tests) are inaccurate and [leave many of the most vulnerable behind](#). Furthermore, the Covid crisis has exposed the fact that poverty targeted social assistance excludes "the missing middle" of mostly people working in the informal sector who are now in great need. This has recently been recognized by [World Bank Directors](#). In addition, universal systems are more likely to facilitate the development of [social contracts](#) and thereby the possibility to mobilize domestic resources. The Nordic-Baltic countries have [robust experiences](#) of the benefits of universal models, and an [ambition to share](#) these experiences in the global context. We look forward to hearing your views on potential review of the present strategy.

Finally, on a technical note – but with enormous practical implications – we urge you to challenge the World Bank not to support or promote the use of "social registries". These are inaccurate and expensive non-universal databases which result in the exclusion of a large proportion of intended target groups (see [Social registries: a short history of abject failure](#)). Importantly, "social registries" should not be mistaken for civil registries, which are necessary institutional infrastructure for the implementation of universal social protection based on the provision of legal identification. The World Bank is already promoting universal access to legal identification, see the [10 Principles of ID](#).

Aid to domestic resource mobilization (DRM)

As a member of the ATI the World Bank renewed its commitments with the ATI 2025 declaration, which includes four commitments for the period of 2021-2025. Among these are a pledge to enhance domestic resource mobilization (DRM) through "equitable tax policies" and efficient, effective and transparent administration. It is therefore natural that the World Bank, as a member of the ATI, contributes to improving progressive DRM. The need for increased DRM has become ever more pressing with the Covid-19 pandemic.

Firstly, it's important that the DRM programs the World Bank and other ATI partners support enhance DRM on the basis of equitable tax policies - and ensure that tax reforms advance the SDGs, work for the broad population, are fair (i.e. those who can pay more do) and effectively administered. Secondly, in order to see how well these programs work in terms of creating fair and effective DRM, it's important for the World Bank, other development partners and partner countries to be able to monitor the programs. This is important in order for us to learn from experiences and improve future programs.

A forthcoming report "*Nordic countries' cooperation with the IMF and the World Bank Group on domestic resource mobilization*", commissioned by the Nordic Alliance for Tax Justice, however, finds indications that there may be discrepancies between policy and practice. The report shows that a significant amount of Nordic aid goes through the World Bank for example the World Bank Global Tax Programme (GTP), however, there seems to be limited transparency on objectives and monitoring of these initiatives, making it hard for donors and others (for example civil society) to evaluate the efforts and the extent to which they meet with the ATI commitments.

We therefore recommend the Nordic-Baltic group to work to ensure the World Bank increases transparency around monitoring and results reporting of the DRM programs it supports. Furthermore, these should include assessments of the quality of the programs (fairness, equity, efficiency, effectiveness etc.) as well as quantity of revenue mobilized.

Debt Justice Norway

Oxfam IBIS Denmark

ActionAid Denmark

Diakonia Sweden

ACT Svenska Kyrkan

Finnish Development NGOs - Fingo

Norwegian Church Aid

Save the Children Norway

Norwegian Forum for Development and Environment

Tax Justice Network Norway

Estonian Roundtable for Development Cooperation