

World Bank Annual Meetings 2022 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 2022 annual meetings.

We are greatly concerned with the global state of affairs. The great majority of the world's countries are struggling amid multiple historic, overlapping, and generally worsening crises: climate disasters; pandemics; food, energy and cost-of-living crises; and sovereign debt burdens snowballing out of control. These multiple crises intersect. While we raise to your attention several different topics, we want to emphasize their interconnectedness. As a basic principle, attempts to solve one issue should always be informed by its effects on the others.

Debt and private creditors

In its current form, the G20s Common Framework (CF) delivers neither fair nor timely solutions to sovereign debt crises. We are happy that the World Bank has called attention to this, as well as the Nordic-Baltic countries in their IMFC statement during the 2022 Spring Meetings. Looking at the CFs first cases makes clear the need for substantial reforms in order to ensure effectiveness and cooperation of all types of creditors. Of external debt payments by governments in the global south between 2022 and 2028, 65% are to private lenders, 20% to multilateral institutions and 15% to other governments.¹ Establishing mechanisms that guarantee private creditor participation is therefore key.

During the spring meetings, a [consensus](#) emerged within the IMF and WBG on four necessary improvements to the CF: (i) quicker and more efficient processes through detailed steps and timelines; (ii) a debt moratorium to support debtor countries throughout negotiations; (iii) clarity as to how comparability of treatment shall be guaranteed and enforced; and (iv) the expansion of coordinated debt treatments to non-DSSI eligible countries with debt vulnerabilities. **In general, we welcome these improvements.** Ensuring private creditor participation is important to all four.

We reiterate our concern from previous letters that the CF is falling short particularly in one crucial aspect: Lack of mechanisms for the sanctioning of non-participating private lenders to borrowing countries in debt distress. We believe neither greater methodological clarity nor including private creditors earlier in the process will be enough to guarantee compliance from private lenders.² First, because the missing incentive to

¹ Calculated from World Bank International Debt Statistics database.

² Rivetti, Diego. "Achieving Comparability of Treatment under the G20's Common Framework", *World Bank Group*, 2022,

participate is hardly related with the lack of clarity about what comparable treatment actually means. Second, because neither gives debtors new tools with which to negotiate with private lenders. Private lenders' primary goal is to maximize their financial recovery. Therefore, the main way debtor governments can get them to participate in debt restructurings is to default or threaten to default. Only measures that address the current power imbalance between private lenders and debtor countries will have a shot of making the CF work. Supporting debtors that default on reluctant creditors, both financially and politically, could bring private lenders to the table, thus ensuring cooperation of all creditors and comparability of treatment.

However, we emphasize that the need to strengthen the effectiveness of CF should not deter from working towards a broader structural reform of the international debt architecture. Such a reform should include the permanent establishment of a multilateral sovereign debt resolution mechanism that, under the auspices of an independent body such as the UN, offers comprehensive, timely, transparent, durable, rules-based and fair debt solutions to all countries experiencing debt distress.

Questions to the ED:

- *If any, what measures are the ED considering to ensure private creditor participation in debt restructurings under the G20 Common Framework?*
- *More broadly, what does the ED consider to be the key challenges to making the four improvements a reality?*

Climate

We welcome the World Bank's commitment and continued efforts in the climate space following the Climate Change Action Plan, 2021-2025. This includes the new core reports Country Climate and Development Reports (CCDRs) and the record share of climate financing of 36% of all lending in fiscal year 2022. We further recognize the bank's efforts in raising the balance between climate mitigation and adaptation where the latter represented 49% of climate finance lending in 2022. However, a few challenges and question marks remain.

Supporting fossil fuel projects (including gas) in low- and middle-income countries is counterproductive as it creates [fossil fuel lock-ins](#). This will be difficult to move away from when the world transitions to renewable energy. Along these lines, the following Bank approaches are worth highlighted:

- Despite the Bank's commitment in June 2017 to stop financing upstream oil and gas after 2019, the bank still sees gas as a "transition fuel". Research unveils that numerous cases of gas finance continue to stand [in the way of](#) achieving the just energy transition and the Paris Agreement. There are also concerns related to "indirect investments in gas" e.g. investments and policy advice that supports fossil

<https://documents1.worldbank.org/curated/en/426641645456786855/pdf/Achieving-Comparability-of-Treatment-under-the-G20-s-Common-Framework.pdf>.

gas and LNG infrastructure. Examples of this have been documented in [Pakistan](#), [Indonesia](#) and other parts of the [world](#).

- We urge the Bank not to replace coal by [gas](#) as the emissions from production and transport (especially from methane leakages) contribute significantly to global warming. Instead the Bank should use its funds and capacity to support universal energy access provided by renewable energy sources.
- The World Bank also has an important role to play in advocating for and showcasing the interconnectedness that exists between development and climate action; fossil fuels and sustainable development are mutually exclusive. And hence, to achieve the Bank's twin goals it must be a top priority to assist countries to achieve a just energy transition.
- It is essential that renewable energy projects, especially large scale projects such as hydropower and solar parks, take local communities and land tenure into consideration. Civil society, indigenous communities, women, youth, local communities and other marginalized groups should be invited for consultations at an early stage in project planning. Ideally the projects should follow a bottom up approach rather than a top down.
- Furthermore, the World Bank should aim to lead the way in advising on 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 neocolonial resource exploitation.
- The World Bank's Climate Change Action Plan 2021-2025 states that all financial flows should be aligned with limiting global warming to well below 2 degrees. In order to reach IEA's Net Zero Scenario, all investments should be in line with the 1.5-degree target. We urge the World Bank to raise its ambition and commit to the 1.5-degree target at COP27.

Questions to the ED:

Given the urgency to address loss & damage we would be interested in hearing the Bank's position and efforts in this space.

Gender

The World Bank is currently developing a new Gender Strategy since the current one will expire next year. We are concerned about the lack of meaningful consultations with the feminist movement and women's rights organisations so far. Civil society has criticized the current strategy's instrumentalist approach to women's empowerment, the lack of a system of accountability, and the absence of a macroeconomic lens.³ We would much like to highlight the need for:

- Meaningful and transparent consultations with the women's rights movement on global and regional levels.

³ See Bretton Woods Project. "World Bank releases new gender strategy", 2016, <https://www.brettonwoodsproject.org/2016/02/world-bank-releases-gender-strategy/>.

- Religious actors and institutions can be changemakers. By including them in dialogue and strategic partnerships, there are new opportunities to change discriminatory family law and harmful norms that obstruct the fulfilment of women and girls' rights.
- Make sure that a gendered conflict analysis is integrated in the strategy and that post-conflict reforms and recovery programmes are based on gender equality.
- The WB must ensure its macroeconomic policy does not undermine gender equality. The Bank continues to support austerity policies through prior actions in its development policy finance instruments, which have a particularly negative impact on women and girls, as the burden of stretched household income and reduced public services is mostly felt by them.
- On universal social protection: Covid-19 has rolled back progress on gender equality by a generation, and for instance increased the time that women and girls spend on unpaid care and domestic work. The WB needs to move beyond childcare, invest in universal social protection floors, promote decent care jobs, and integrate a gender lens across recovery from crisis, be it from Covid, conflict or the climate emergency.
- We need a much stronger intersectional analysis in the new WB Gender Strategy, that looks into the nexus of climate change, conflict and gender equality and the role of the WB to make sure that actions and programmes to adapt to and mitigate climate change and to rebuild after crises have a strong gender lens.

Social protection

On 12 April, Act Church of Sweden participated in a digital consultation with World Bank staff on the **Social Protection and Jobs Compass**. Following the discussion, the Global Coalition for Social Protection Floors working group on the Bretton Woods Institutions sent detailed comments and suggestions. Among other issues, we raised the importance of referencing ILO standards and the Social protection floor recommendation (202), the limitations of poverty-targeting and so-called social registries, and the need to integrate informal workers into national USP systems rather than creating separate systems to include “the missing middle”.⁴

In order to provide relevant input in the drafting process, it is useful to be able to give feedback to text. We note, however, that in contrast to a similar dialogue process with the IMF, we could see a ppt presentation of the Compass, but no text. The working group did not yet receive any feedback on the extent to which our comments have been considered/taken on, and if not so, why. The final Compass was presented in a webinar on September 29, but there was no chat where one could post comments or questions. Our first analysis of the Compass is that the World Bank does not promote poverty targeting and “progressive universalism” as explicitly as before, but that its fundamental position remains unchanged. Also, organizations like ITUC which focus on social insurance for workers, are very concerned that the compass suggests private insurances as an alternative (rather than complement) for informal workers. The Global Coalition for Social Protection is currently preparing a joint response to the Compass. In June this year, Act Church of Sweden met

⁴ Global Coalition for Social Protection Floors. “Comments on the World Bank’s draft Social Protection and Jobs Compass from members of the Global Coalition for Social Protection Floors”, 2020, <https://www.socialprotectionfloorscoalition.org/wp-content/uploads/2022/09/2022-GCSPF-comments-WBs-draft-S-P-JC.pdf>.

with the ED Advisers at the Nordic-Baltic IMF and World Bank offices who have social protection in their portfolios. We are very grateful for this opportunity and hope that the dialogue will continue. Recently, Act Church of Sweden published the report [Can a leopard change its spots? A critical analysis of the World Bank's 'progressive universalism' approach to social protection](#) which we believe can be useful for you and your colleagues. The report will be presented along with technical papers on the feasibility to implement universal programmes gradually and in a financially sustainable way at the webinar [Progressive realisation: Building inclusive social protection systems in low- and middle-income countries using the principle of universality](#) on October 7th, 2-3 pm CEST. In addition, **we look forward to sharing the result of these studies with you and/or your advisers, and their colleagues in Capitals, at an exclusive webinar as discussed in June.**

Debt Justice Norway

Swedish Society for Nature Conservation

Norwegian Forum for Development and Environment

Diakonia Sweden

Lithuanian Development Cooperation Platform

Act Church of Sweden

Save the Children Norway

Norwegian Church Aid

The Kvinna till Kvinna Foundation





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