

World Bank Spring Meeting 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 spring meetings.

Debt & G20 Common Framework

We're very happy that the World Bank has played a constructive role in calling for substantial debt relief and improvements to existing initiatives, with the aim to solve the unfolding debt crises in many developing countries. At the moment the G20 Common Framework for Debt Treatments Beyond the DSSI (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. Our colleague Tim Jones of the Jubilee Debt Campaign UK has made the following analysis and policy proposals to remedy this shortcoming that we endorse. We hope the World Bank would call for these improvements in discussions with relevant state parties.

The IMF lending into arrears policy could be utilized to make the G20 Common Framework more effective, by clarifying that the Common Framework process would include the following steps:

1. The IMF Debt Sustainability Analysis says how much debt restructuring is needed to reduce the debt risk to at least moderate, with space to absorb shocks.
2. The debtor seeks to negotiate this level of restructuring with all its bilateral and private creditors.
3. If any creditor does not agree to the restructuring, willing creditors should still implement the restructuring, and the IMF should agree any loan programme, but only if the debtor agrees to default (or remain in default) on recalcitrant creditors until they agree to the restructuring deal.
4. The IMF and willing creditors should publicly make it clear that the reason for the selective default is the unwillingness of recalcitrant creditors to agree a necessary debt restructuring, and that the debtor negotiated in good faith.

If this process was agreed publicly it would mean that all creditors are more likely to agree the necessary restructuring in the first place. By making it clear that the consequence for them of not agreeing a deal is default, and a default which can be sustained because the debtor is getting financial and political support from elsewhere, it means they are more likely to agree the deal in the first place. Adopting the policy as set out above would make the restructuring process quicker and extended defaults less likely.

Fiscal Risks in PPP Contracts

The World Bank should pay special attention to the additional risks of sovereign default associated with the build up of contingent debt liabilities through PPP projects. This is

particularly important given the accumulation of sovereign debt seen in developing countries over the latter years. 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 therefore 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.

Social Protection and Jobs Compass

A recent study by ODI finds that during the pandemic, the World Bank's share of all international funding for social protection is likely to have risen to two-thirds of the total. This exceptionally high share underlines the importance of the direction the World Bank support takes for the years to come.

(footnote: Pre-Covid19, the World Bank had become the largest social protection aid donor, providing five times more than the second largest donor and over half of all aid, an exceptionally high share for any one institution to have in a sector. Overall aid for social protection in 2021 looks likely to double 2019 levels, with the World Bank's share rising to two-thirds of the total. Marcus Manuel (2022), Assessment of a potential increase in domestic and external financing for social protection in low-income countries.)

When we assess the Human Capital Theme in the final IDA20 document, we can see that CSO calls for references to the ILO Recommendation 202 on Social protection floors, and to collaboration with ILO, have been heard. We thank the Nordic-Baltic countries for whatever role they played in this regard. We still see, however, that the World Bank plans to continue its focus on targeted safety nets, rather than broad social protection floors, within a "progressive universalism" approach.

As the Social Protection and Labour Strategy expired in 2021, Bank management is preparing a new strategic document, the Social Protection and Jobs Compass. As civil society organizations, we look forward to consultations with Bank staff soon. There are several reasons for why the Social Protection and Jobs Compass must draw up a significant change in the direction of World Bank support to social protection programmes.

- The Covid-19 pandemic has exposed the blatant inadequacy of narrowly targeted social protection (see for example: [Hit and miss: An assessment of targeting effectiveness in social protection](#)).
- There is an urgent need to reduce inequality and to foster trust and social contracts.
- The World Bank must respond to recent decisions, in particular the framework for action towards universal, adequate, comprehensive and sustainable social protection systems adopted by the International Labour Conference in 2021.

Climate/ Fossil fuels

The 2030 Agenda has the overall aim to eradicate poverty and ensure the right to development for everyone. The Agenda's 17 goals are highly interlinked and co-dependent. Climate change and the nature crises are the biggest threats to humanity and our shared planet, and hence, the success of Agenda 2030. The latest WGIII [IPCC report](#) states that "Accelerated and equitable climate action in mitigating, and adapting to, climate change impacts is critical to sustainable development". The extraction and burning of fossil fuels is the largest contributor to the global crises. The Covid-19 pandemic caused devastating effects on health and poverty across the world and disrupted global supply chains. We saw the largest ever [decline](#) of carbon dioxide emissions (5.8% in 2020) and finance ministers across the world spoke enthusiastically about a green recovery. However little of that has been seen, when the economy was catching up so were the emissions. The [IEA reported](#) on March 8, 2022 that energy related emissions now have more than bounced back and are record high, -driven by an increased use of coal.

The World Bank's mission to tackle poverty cannot be achieved without also tackling climate change and the biodiversity loss and supporting a green transformation. As the latest WGII [IPCC report](#) showed, the consequences of not tackling climate change now will be devastating for people that already live in poverty and risk putting around another 32 - 132 million people in [extreme poverty](#) by 2030.

The World Bank has long supported energy and infrastructure programs across the world. Energy is absolutely vital in order for a country to achieve development and economic growth and the Bank together with partners has achieved many positive developments, especially in regards to energy access, SDG 7. However, even after the Paris Agreement entered into force many of the energy programs have supported fossil fuel projects . Financing for fossil fuel projects in low- and middle income countries by MDBs and G20 bilateral institutions was [four times more](#) than that for wind and solar between 2017 and 2019. Yet, many of the beneficiary countries have abundant renewable energy resources.

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. Putin's invasion of Ukraine illustrates even further the need to move away from fossil fuel dependency. This highly applies to gas as there is a large risk that the Russian gas supply redirects from Europe and the US to countries in Asia and Africa. We urge the Bank to **not** 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 Bank states in its [Climate Change Action Plan](#) that it "is committed to leading on the development of methods and metrics needed to close the gap and make Paris alignment a reality". It should therefore be a top priority for the Bank to align both private and public investments with the Paris Agreement.

At COP 26, 39 countries and institutions signed the [Glasgow Statement](#) committing to stop international public finance for unabated coal, oil, and gas by the end of 2022 and to

prioritize clean energy finance. This is a commitment in line with the [IEA Net Zero](#) scenario and the IPCC 1.5 C target, also stating that the "accelerated alignment of international public and private sector financial flows is critical to driving energy transitions, energy access and supporting the development of both emerging and existing clean technologies, improving livelihoods and employment prospects worldwide". Among the signatories are the East African Development Bank (EADB) and the European Investment Bank (EIB) but the World Bank is absent. We urge the Bank to commit to this pact by COP27.

Finally, it is positive to see the Bank's ambition to further catalyze climate finance and focus on both mitigation, adaptation and resilience. For adaptation projects it is critical that maladaptation is avoided (as shown in the latest WGII [IPCC report](#)) especially in regards to biodiversity. Furthermore, all projects and country development strategies should be informed by local and indigenous knowledge and marginalized groups (such as women and children).



People
Change
the World



Norwegian Forum
for Development
and Environment



Swedish Society
for Nature Conservation



KIRKENS NØDHJELP
actalliance



