

World Bank Spring Meetings 2024 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 2024 annual meetings.

Debt as a Liquidity vs. Solvency Problem

There is a debate whether the debt of many developing countries is a solvency or a liquidity problem. Recently we've seen proposals – such as the Bridge proposal – which treats it firmly as a liquidity issue. We disagree. While it still could be useful for countries to postpone their debt payments it will only do that – postpone the problem and kick the can down the road. A reduction of debt stock is urgently needed. We refer to the updated Debt Watch Briefing, supported by Norwegian Church Aid, of last year showing that debt service has reached 30% of public spending across the South and 40% of public spending in Africa. According to IMF forecasts, Chad, Ghana, Sri Lanka and Suriname will still pay an average 48% of their revenue on debt service.[1] The average spending on debt service after the HIPC/MDRI deals was 11%. These countries will have to cut spending by 4% in the next five years leaving no room to deal with the climate crisis or for tackling the SDGs.

In the long term we believe a permanent debt workout mechanism is needed. In the short term, we urge the Nordic Baltic chair to work towards a debt relief framework which is:[2]

1. open to all countries which need relief based on the weight of their debt burden, regardless of their income level or special situation, and tailored to maximise access to affordable financial markets, so that most countries which need relief will also want it.
2. maximizing its contribution to the SDG and climate adaptation financing needs of debtor countries, by basing the assessments of debt sustainability and relief needs on bringing debt service to revenue levels down to below 15% of budget revenue, while ensuring that the spending itself is highly “productive” in terms of SDG results.
3. rapid in order to avoid delay, and automatic or “orderly” to minimise uncertainty, by identifying unsustainability clearly as soon as it emerges, and following this with immediate formal standstills of debt service payments.
4. including all creditors (ie commercial, multilateral, domestic and non-Paris Club governments), by providing them with menus of different modalities to fit with their national legal and regulatory frameworks, and offering them multiple “carrots and sticks” to encourage participation.
5. providing legal protection against holdouts and lawsuits, preferably through laws similar to the vulture fund law introduced by the UK in 2010 forcing all creditors to provide comparable treatment, as well as laws to protect payments systems from seizure of assets.

[1] https://www.development-finance.org/files/Debt_Service_Watch_Briefing_Final_Word_EN_0910.pdf

[2]

https://www.kirkensnodhjelp.no/contentassets/c1403acd5da84d39a120090004899173/report_summary_newdebtcrisis_digital.pdf

Social

Adding to earlier research on the risks and drawbacks of poverty targeted social protection programs, and the report [An affordable and feasible pathway to universal social security](#) which challenges the standard argument that “universal social security is simply not affordable in poor countries”, we would like to draw your attention to our most recent report: [Taking stock of progress: A compilation of universal or benefit-tested social security programmes in low- and middle-income countries](#). In this paper we have identified 88 social programmes in 52 low- and middle-income countries that are universal or benefit-tested. Importantly, almost all of these universal schemes have been designed, implemented, and financed exclusively by national governments, without support from development partners. Our report does not prove that low- and middle-income countries can afford universal programmes, but it shows that it should not be assumed that they cannot do so.

Protection

The two papers mentioned above were presented at a Chatham House style “knowledge exchange on emerging topics” in early February 2024, organised by The Working Group on Financing under USP2030 – the global platform on social protection, co-chaired by ILO and the World Bank. This initial dialogue, in which representatives from both IMF and the World Bank participated actively, lays the ground for a roundtable discussion about this issue with the Nordic-Baltic constituency, as discussed earlier.

Question:

- *Are you willing to arrange 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?*

Social protection and the IDA replenishment

In IDA20, social protection was an important priority, under *Special theme 1: Human Capital*. The World Bank argued that it would use “a ‘progressive universalism’ approach with a focus on reaching the poorest and most vulnerable first” (IDA20 paragraf 88).

In contrast, policy commitment 6, Human Capital Special Theme Policy Commitment 6 has a strong human rights language and commitment to universal access to core services for persons with disabilities: “*To promote inclusive societies, support at least 18 IDA countries to meet the needs of persons with disabilities by implementing the principles of non-discrimination, inclusion, and universal access as per the Environmental and Social Framework, through projects in education, health, social protection, water, urban, digital development and/or transport.*”

Act Church of Sweden has shown that “[progressive universalism](#)” is an illusory concept, which should be replaced by “progressive realisation of the Right to social security” – which includes universal social protection floors as a first step.

Questions:

- *Do you foresee social protection as an important theme in IDA21?*
- *Are you willing to promote the approach that IDA21 should focus on investments in gradual expansion of universal and rights-based social benefits, which are more likely to be sustainably financed at national level, in line with the approach in policy commitment 6 in IDA20?*

World Bank Group Gender Strategy 2024-2030: Accelerate Gender Equality to end Poverty on a Liveable Planet

The new World Bank Gender Strategy is expected to be finalised ahead of the Spring meeting. An ambitious consultation process with various stakeholders has been held allowing civil society to provide 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.

The strategy has been complemented with a paper entitled "Actions to support implementation of the WBG Gender Strategy" and will be complemented with an implementation note for each strategic objective to assess actions needed.

As the strategy is not mandatory for global or national-level operations, it is crucial for countries such as the Nordic-Baltic to lead on carefully monitoring the implementation of the strategy.

We would like to 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 organisations. These aspects are pivotal for effective efforts towards gender equality.

Questions:

- *In what way will you make sure that the Gender Strategy is fully implemented despite its "non mandatory" status?*
- *The implementation note includes actions such as building up and engage a network of government counterparts, local women's organisations, and other civil society organisations and academics to share knowledge, support country engagement programming and implementation, and deepen understanding of the policy arena, with special emphasis in FCV contexts. How can you support to make sure that this practice, that could potentially significantly increase the chances of making sure the gender strategy reaches its goals, is in fact established on country and regional levels?*
- *Will you support and request clarification of the implementation process and the roll-out of the new gender strategy?*

Inequality

We welcome the decision in December to adopt an inequality indicator as one of five headline indicators for the World Bank's new Corporate Scorecard. The focus on national inequality, measured as Gini Coefficients, is an important step forward as it relates to redistribution and not only "shared growth" (focusing on growth of incomes of the bottom 40%).

The present objective is to reduce the number of countries with high inequality. High inequality

(defined as having a Gini Coefficient of 0.4 or above) which is about a third of all countries. In the further development of the work, we encourage you to promote a stronger objective: to increase the number of countries with low inequality (defined as having a Gini of 0.3 or below). It is also important to monitor changes in inequality regardless of their level. By focusing on trends in inequality in all countries, it could enable the identification of rising inequality as an issue in wherever it is the case - for example as World Bank country staff have done in [Ethiopia](#), [Indonesia](#), [Mongolia](#), [Sierra Leone](#), and [Viet Nam](#) (Gini between 0.35 and 0.4).

Question:

- *Would you support 'Tackling Inequality' as one of the special themes of IDA21? It could go further than the corporate scorecard and report on progress towards low and medium levels of inequality too.*

World Bank evolution roadmap and new approaches for global cooperation

Multiple crises and stagnating ODA budgets will be a challenge in the IDA replenishment process – which is one example of the many challenges in the international financing architecture and structures for international cooperation – issues which will be addressed at the fourth Financing for Development Conference in 2025. In particular, there is a lack of structure and institutions to address common challenges that go beyond the donor/recipient structure of ODA. [Global Public Investment](#) (GPI) is an approach and proposal for how international cooperation can become more modern, mutual and effective than today. GPI comprises three universal principles, reflecting a more horizontal approach to addressing the world's challenges: all contribute, all benefit, and all decide. As shown by a number of existing examples of institutional cooperation, especially at regional level, it is far easier to mobilise financial contributions from developing countries, in particular UMICs, if governing structures are more inclusive than in traditional development institutions like the World Bank.

A Global challenges financing mechanism in the World Bank, as originally proposed by G20, was an initiative to create a financing mechanism to address common challenges and where the GPI principles would be helpful in developing the structures of governance and resource mobilisation. Today, a less ambitious proposal is on the table, called the Livable Planet Fund.

Questions:

- *What was your position in the discussion on the proposed Global challenges financing mechanism?*
- *Do you find the GPI principles useful in the discussions about the structures of the Livable Planet Fund?*
- *Are you willing to discuss more inclusive ways of governance and priority setting of IDA, along the lines of GPI, in order to encourage other countries to become contributors?*

Debt Justice Norway

Act Church of Sweden

Norwegian Church Aid

The Kvinna till Kvinna Foundation

Estonian Roundtable for Development Cooperation (AKÜ)

Lithuanian NGDO platform

Oxfam Danmark

