

Strategy for Sweden's Cooperation with **the World Bank Group**

2016 – 2018



REGERINGSKANSLIET

Government Offices
of Sweden



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Organisation Strategy for Sweden's Cooperation with the World Bank Group 2016–2018

1. Scope and mandate

Scope of the strategy

This strategy will form the basis of Sweden's cooperation with the World Bank Group (WBG). The strategy will also guide Sweden's positions in negotiations on the replenishment of IDA18¹ which will be ongoing throughout 2016. The outcome of the negotiations will be important for how the WBG contributes to the implementation of the 2030 Agenda for Sustainable Development and its global goals which were adopted in September 2015.

The strategy applies during the period 2016–2018 and covers funds in accordance with the Riksdag's authorisation.

The strategy is based on the Policy for Global Development (Govt Bill 2002/03:122) with its overarching objective of contributing to equitable and sustainable global development, and the Government's strategy for multilateral development cooperation. The organisational assessment of the WBG approved by the Government Offices (Ministry for Foreign Affairs/Ministry of Finance) in January 2015 also forms part of the basis for the strategy.

WBG's mandate

The International Bank for Reconstruction and Development (IBRD) was founded in 1944 in connection with the Bretton Woods Conference as part of the UN system, and has grown over the years and developed into the World Bank Group. Today, the WBG comprises five institutions:

¹ IDA18 will be operational from July 2017 until the end of June 2020.

1. the International Development Association (IDA), which gives concessional loans and grant assistance to the poorest countries;
2. the IBRD, which gives loans and development support to middle income countries and creditworthy low income countries;
3. the International Finance Corporation (IFC), which invests in and provides advice to the private sector;
4. the Multilateral Investment Guarantee Agency (MIGA), which issues political risk guarantees for private investments in developing countries; and
5. the International Centre for Settlement of Investment Disputes (ICSID), which provides facilities for the resolution of legal disputes between foreign investors and governments of contracting states.

In October 2013, the WBG adopted a new strategy. The strategy formulates two overarching objectives for its activities: to eradicate extreme poverty (the proportion of people living on less than USD 1.90 per day must not exceed 3 per cent in 2030) and to promote shared prosperity (to work for increased income for the poorest 40 per cent in every country). Sustainable development/climate as well as gender equality are dealt with as cross-cutting perspectives in the strategy. The strategy stresses that global commitments in sustainable environment are necessary if the two overarching poverty objectives are to be achieved.

2. Direction and Swedish priorities

The WBG's overarching objectives to eradicate extreme poverty and promote shared prosperity are highly relevant for the Government's overarching objective for Sweden's development cooperation, namely to create a situation in which the living conditions of people living in poverty and oppression can be improved². By being an owner of the Bank, the Government contributes both financially and non-financially to its policies and activities: financially by buying capital shares in the Bank, providing core support³ to IDA and contributing to the WBG's trust funds, and non-financially through advocacy work in the board and via bilateral contacts. In this way, Sweden is at the same time supporting the achievement of the WBG's poverty objectives and Sweden's priorities in the area of development cooperation.

Sweden's development cooperation is to be economically, socially and environmentally sustainable, and also gender-equal. The basis of development cooperation is a holistic view of the challenges, needs and situation of people and societies. The guiding principle is that economic, social and environmental conditions and processes must be understood and managed in an integrated context. Gender equality, and the

² This is the overarching objective for Expenditure area 7: International development cooperation, in the Government's budget.

³ Core support refers to Sweden's non-earmarked support to multilateral organisations.

empowerment and rights of women and girls, are both goals in themselves and a prerequisite and a means for achieving sustainable global development. Violence and armed conflict are among the biggest obstacles to economic and social development, and development cooperation is an important part of conflict prevention work. An environment and climate perspective, a gender perspective and a conflict perspective must therefore be systematically integrated in Sweden's development cooperation with the World Bank Group. Wherever relevant, Sweden must consistently push for the integration in the Bank's work of a conflict perspective with a holistic view of causes and solutions. The link between humanitarian activities and long-term development cooperation must be strengthened.

Sweden's development cooperation with the WBG is to be based on and characterised by a rights perspective and the perspectives of the poor. The rights perspective means that human rights and democracy are to be seen as fundamental to development. An approach of this kind involves giving visibility to discriminated, excluded and marginalised individuals and groups ahead of every initiative. This is so that all people, regardless of gender, age, impairment, ethnicity, religion or other belief, sexual orientation, transgender identity or expression, will be able to enjoy their rights. The perspectives of the poor mean that the situation, needs, conditions and priorities of poor women, men and children must be the point of departure for fighting poverty and for promoting equitable and sustainable development. This includes active efforts on sexual and reproductive health and rights (SRHR).

The WBG is to contribute to the implementation of the 2030 Agenda, the Addis Ababa Action Agenda and the Paris Agreement on climate change. The Government considers that the WBG should continue to develop its activities, primarily in four areas: 1) sustainable, inclusive economic development, 2) environment and climate, 3) gender equality and 4) peace- and statebuilding. The Government intends to pursue the priorities stated below in cooperation with the WBG. Emphasis will be placed on influencing policy level decisions.

Sustainable, inclusive economic development

- The WBG is to contribute to measures that strengthen the conditions for poor people to participate in an equitable way in economically, socially and environmentally sustainable growth processes.
- The poverty focus of the IBRD and the IFC is to be strengthened. The IFC and MIGA should expand their activities in the poorest countries and in countries affected by conflict.
- The WBG is to increase its focus on institution building that strengthens a democratic, open and effective administration in

line with the rule of law. This could be done through strengthened efforts to combat corruption, greater domestic resource mobilisation, reduced tax evasion, improved accountability and strengthened public financial management.

- The WBG is to adopt a clear and robust regulatory framework for environmental and social standards for investment projects that are to include reference to the importance of respecting human rights, including the ILO Core Conventions and the UN Guiding Principles on Business and Human Rights.⁴ The application and follow-up of the standards are to be rigorous, and adequate resources must be set aside for this.
- The WBG is to promote macroeconomic stability in its policy advice.
- The WBG is to promote an investment-friendly climate and contribute to the creation of productive employment with decent working conditions. The WBG is to increase its financing and advisory services of benefit to private sector development in the poorest countries, including increased efforts for women's and young adults' entrepreneurship.
- The WBG is to expand and develop support for free and equitable trade⁵ as an instrument for poverty reduction.

Environment and climate

- The WBG is to systematically integrate the environment and climate perspective in all activities, with a special focus on implementation in partner countries, not least through policy level advice.
- Investments in and support for fossil energy are to be ultimately phased out. The WBG is to considerably reduce such investments and substantially increase investments in renewable energy and adopt ambitious and time-set goals to increase the share of investments in renewable energy. The WBG is also to promote reduced emissions from existing infrastructure and increase investments in energy efficiency. The WBG is to work towards a global phasing out of subsidies for fossil fuels. The WBG is also to give partner countries support in the process of implementing their NDCs⁶.

⁴ The UN Guiding Principles on Business and Human Rights are relevant for the WBG's lending involving the private sector.

⁵ One example of trade-related support is Aid for Trade.

⁶ Nationally Determined Contributions, i.e. the country's voluntary commitments under the Paris Agreement.

- The WBG is to develop, support and channel innovative environment- and climate-related financing. The WBG is also to support the inclusion of sustainability aspects and the assessment of life-cycle costs in procurements. The WBG is to develop and support market mechanisms that promote the transition to low-carbon development, including putting a price on greenhouse gas emissions.
- The WBG is to strengthen efforts for sustainable use of natural resources and ecosystem services. This also includes promoting incentives for the private sector to make environmentally sustainable investments.
- The WBG is to contribute to strengthened capacity in partner countries to prevent, handle and reduce vulnerability to disasters.

Gender equality

- The WBG is to focus on implementing its new gender equality strategy.
- The WBG is to systematically integrate the gender perspective in all activities, with a special focus on implementation in partner countries, not least through policy level advice.
- The WBG is to focus in particular on women's economic empowerment.
- In all its activities, the WBG is to proceed from a rights-based perspective.
- The WBG is to ensure there are adequate internal resources and institutional capability to effectively pursue gender equality work.
- The WBG is to ensure that results in the area of gender equality are followed up and evaluated systematically.

Peace- and statebuilding

- The WBG is to systematically integrate a conflict perspective in its activities with the aim of identifying the conditions for sustainable conflict prevention and peacebuilding in countries affected by conflict and fragile situations.
- The WBG is to strengthen financing to countries affected by conflict and fragile situations. The instruments for these purposes should cater for long-term needs and be effective, and at the same

time meet the need for rapid action and flexibility. To be relevant, the instruments must also be adapted to more serious risk scenarios and the volatility of these countries affected by conflict and fragile situations. In its peace- and statebuilding activities, the WBG is to increase its focus on women's participation as actors for peace, in accordance with UN Security Resolution 1325 and subsequent resolutions on women, peace and security.

- The WBG is to ensure that projects and financing are based on the peace- and statebuilding objectives in the New Deal and its principles for cooperation and confidence-building. The WBG is to collaborate with other development actors in fragile states, not least the UN system, humanitarian actors, regional bodies and civil society. The WBG is to also be an active member of the International Dialogue for Peacebuilding and Statebuilding and work to develop forms of cooperation between donors and the g7+⁷ within the framework of this.

3. Priorities concerning the organisation's working methods

The Government considers that the WBG has a high level of internal and external efficiency. This is confirmed in both the Government Offices' assessment and international organisation assessments. To face changes in the world and better adapt activities to the poverty objectives in the strategy from 2013, the WBG has undergone a major reorganisation. There are also plans to further reform both the financing model and ownership in the coming years. This will affect the WBG's lending volumes and its internal and external efficiency during the strategy period.

Based on the Government Offices' assessment of the WBG, the Government intends to pursue a number of issues concerning the organisation's working methods. The Government considers that the impact of these two issues may help to achieve the priorities stated under Section 2 above.

- Sweden is to actively and constructively influence the outcome of the negotiations on the WBG's future role and financing model, proceeding from the assumption that the WBG's resources are to be used in a sustainable and efficient way so as to achieve the objectives of this strategy. Any possible capital review and reform of IDA's financing model must be considered separately. Capital

⁷ The g7+ comprises Afghanistan, the Democratic Republic of the Congo, Haiti, Liberia, South Sudan, Sierra Leone and Timor-Leste, which are the founders of the g7+, as well as Burundi, the Central African Republic, Chad, the Union of the Comoros, Côte d'Ivoire, Guinea, Guinea-Bissau, Papua New Guinea, Sao Tome and Principe, the Solomon Islands, Somalia, Togo and Yemen.

requirements must be reported and analysed through a capital review before a position can be taken on any increase in capital.

- In the negotiations on continuing reforms of influence on and representation in the WBG, Sweden is to work for a stronger voice for low and middle income countries at the Bank, on the basis of their altered importance in the world economy, while protecting the voice of the poorest countries. Sweden must also ensure continued Swedish and Nordic-Baltic influence on the WBG's board.
- The WBG's long-term financial stability must be safeguarded and resources must go to where the needs and added value are greatest, for example, through the correct pricing of loans and appropriate transfer of resources between WBG institutions.
- WBG's capacity for project preparations and implementation of projects in difficult environments is to be strengthened, through the increased use of the WBG's guarantee instruments, with a greater emphasis on gender equality, sustainable environment and climate.
- The WBG must continue to improve collaboration with the UN system, other relevant organisations and bilateral donors, both in partner countries and globally.
- The WBG is to work towards the involvement of the private sector and civil society actors, and towards a favourable social climate for civil society and the private sector in partner countries.
- The various parts of the WBG must work even more like a cohesive organisation ('One World Bank Group') and the WBG's internal processes (including budget) must be in line with the WBG's overall strategy. The trust funds must be better integrated in the WBG's strategic planning and in the WBG's country strategies.
- The WBG is to use the organisation-wide results framework (Corporate Scorecard), which is of a high standard and in line with the overall strategy, not least to enable accountability.
- The WBG must become more transparent in partner countries and be better at reporting audit results and any cases of corruption.
- The WBG is to be a good employer. Remuneration systems for staff should be reformed to achieve increased transparency and

cost-effectiveness. Gender equality is also important in this perspective.

4. Advocacy channels for implementing the strategy

Sweden is represented on the WBG's board through a common board member for the Nordic-Baltic countries, but it negotiates IDA replenishments in a national capacity. With its comparatively high level of support for IDA and the trust funds, Sweden is well-positioned to influence WBG policies and activities. For instance, Sweden influenced the WBG's improved gender equality work and the overarching priorities for IDA17 (e.g. gender equality, climate and fragile states). The Government is to work actively to ensure that the objectives stated in Section 2 above have an impact through:

- during the replenishment negotiations for IDA18 in 2016, working to ensure that Swedish priorities and objectives influence the outcome;
- continuous, coherent bilateral dialogue with the WBG at both political and civil servant level;
- constructive involvement, through close cooperation in the Nordic-Baltic constituency, in the work of the WBG board and in dialogue with other member countries;
- close cooperation with relevant agencies (not least missions abroad and the Swedish International Development Cooperation Agency – Sida);
- close cooperation with external actors in Sweden (such as civil society organisations, academic institutions and the business sector) and in partner countries;
- promoting the employment of Swedes at the WBG, including through strategic secondments; and
- promoting the use of Swedish expertise in procurements, e.g. in the environmental and climate area.

5. Support to the World Bank Group's trust funds

Sida (and where necessary other Swedish agencies that provide support to the WBG) is to consult with the Government Offices (Ministry for Foreign Affairs and other relevant ministries) before deciding on larger financial contributions in relation to Sweden's core

support to the organisation, or support to strategy policy development or a thematic area.

Sweden's financing to the WBG's trust funds should increasingly be in line with this strategy. Support to thematic trust funds at global level⁸, where the WBG has a significant operational role, should focus first and foremost on the priorities set out in this strategy. In special cases, it may be of strategic interest to contribute to knowledge exchange and take part in development of topics together with the WBG in areas not covered by this strategy. In such cases, this must be justified by the party intending to provide the support in question. The Government Offices (Ministry for Foreign Affairs and other relevant ministries) must be consulted regarding such support.

Sida (or another agencies where relevant) may grant support to the WBG at regional and national level. This support is governed by special strategies for countries, regions or thematic areas⁹. If the strategies state another direction than this strategy, any deviations in support to the WBG must be clearly justified by the relevant agency, and the Government Offices (Ministry for Foreign Affairs and other relevant ministries) must be consulted. Synergies with the priorities in this strategy should be actively sought.

6. Follow-up

This strategy is to be followed up continuously, including at the organisation consultations that are held between the Government Offices (Ministry for Foreign Affairs, Ministry of Finance and other relevant ministries), Sida and other relevant agencies. Organisation consultations are to be held twice a year.

⁸Thematic global trust funds are funds that 1) are set up with contributions from one or more donors, 2) concern a defined thematic area, and 3) are not limited to a particular region or country.

⁹The Government is tasking Sida, or if necessary another agency, with implementing the strategy.



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