

Strategy for  
Sweden's cooperation with  
the World Bank Group

2020–2023



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# 1. Scope of the strategy

This strategy will underpin Swedish cooperation with the World Bank Group (WBG) in 2020–2023. The strategy establishes the priorities of Sweden's membership of, and partnership with, the WBG and will guide Sweden's positions both in the work of the governing board and financing negotiations on future replenishment of the International Development Association (IDA), and the monitoring of these.

Sida (or other agency where appropriate) may grant separate support to the WBG. This support is governed by specific strategies for

countries, regions or thematic areas. If decisions are taken concerning support to the World Bank trust funds and financial intermediary funds in areas not included in this strategy, these deviations must be clearly justified by the relevant agency and the Government Offices must be consulted. Synergies with the direction of this strategy will be actively sought.

The objective of Sweden's international development cooperation is to create conditions to improve the lives of people living in poverty and oppression. This stra-

tegy is guided by the 'Policy framework for Swedish development cooperation and humanitarian assistance' (Govt communication 2016/17:60), Sweden's Policy for Global Development (Govt Bill 2002/03:122), and its overarching objective of contributing to equitable and sustainable global development, and by the Swedish strategy for multilateral development policy (UD2017/21055/FN). This strategy is also based on the institutional assessment of the WBG by the Government Offices (Ministry for Foreign Affairs) in 2019.

## 2. Mandate of the World Bank Group

The WBG is a cornerstone of global economic cooperation; it has a mandate to offer long-term loans, technical assistance and policy dialogue to low- and middle-income countries with the aim of reducing poverty and promoting global sustainable development.

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. Since then, it has evolved and developed into the World Bank Group.

Today, the WBG comprises five institutions:

1. the International Development Association (IDA), which provides concessional loans and grants to the poorest countries;
2. the International Bank for Reconstruction and Development (IBRD), which provides loans and development support to middle-income countries and creditworthy low-income countries;
3. the International Finance Corporation (IFC), which invests in and provides advisory services to the private sector in developing countries;
4. the Multilateral Investment Guarantee Agency (MIGA), which offers political risk insurance (guarantees) for private investments in developing countries;
5. the International Centre for Settlement of Investment Disputes (ICSID), which engages in dispute settlement between foreign investors and governments of developing countries.

The 2013 WBG strategy formulates two overarching goals for its activities: end extreme poverty globally (reduce the percentage of people living on less than USD 1.90 per day to 3 per cent by 2030) and promote shared prosperity (foster income growth for the bottom 40 per cent of the population in every country). Inclusive and sustainable development is the strategy's cross-cutting perspective. The importance of cooperation and partnerships, not least with the private sector, is emphasised. The WBG has a key role to play in contributing to the implementation of the 2030 Agenda, the Addis Ababa Action Agenda and the Paris Agreement.

### 3. Focus and Swedish priorities

The WBG's overarching goals are highly relevant to the Government's objective for Sweden's international development cooperation, i.e. creating the conditions to improve the lives of people living in poverty and oppression. The WBG is a powerful partner for Swedish development cooperation thanks to its unique capacity to deliver large-scale projects with a global reach. Its ability to use and combine financing, knowledge and experience with long-term engagement in partner countries provides opportunities to influence the development agenda at both country and global levels.

As Sweden is a shareholder in the WBG, the Government contributes both financially and substantively to WBG activities: financially through capital contributions in accordance with Sweden's shareholding in the WBG, through core support to IDA and through multi-bi contributions to WBG trust funds, and non-financially through policy advocacy on the board, replenishment negotiations, and via bilateral interaction and dialogues within the scope of the initiatives that Sida and other agencies support. In this way, Sweden is helping to achieve the WBG's goals of ending extreme poverty and promoting prosperity, and providing support to countries in their implementation of the 2030 Agenda and the Paris Agreement.

Within the framework of the WBG's extensive and broad-based work in a range of areas, the Government assesses that the WBG should continue to develop in four main areas: sustainable and inclusive economic growth and development, environment and climate, gender equality, and peacebuilding and statebuilding. The Government intends to especially pursue the priorities stated below in cooperation with the WBG. The focus will be on influencing WBG policy and, in so doing, having an impact on its operational activities.

## 3.1 Inclusive and sustainable economic growth and development

In the Government's assessment, the WBG – in view of its mandate and role in supporting economic development – has a key role to play in helping developing countries to implement the 2030 Agenda for Sustainable Development, which comprises all three dimensions of sustainability: social, economic and environmental sustainability. It is essential that the WBG, based on the Agenda's integrated perspective, promote growth models that fight poverty, inequality and gender inequality in an environmentally sustainable way. The Government supports the WBG taking a broad approach in promoting the transition to an inclusive and sustainable economy through support and capacity-building in a range of areas. These include macroeconomic stability, public financial management, social security, increased productivity and employment, investments in human capital through education and health, and in infrastructure, energy, modern technology, trade, etc. Inclusive and economically, socially and environmentally sustainable growth is essential for progress in a range of other thematic priorities, such as environment and climate change, gender equality, and conflict prevention.

During the strategy period, the Government intends to especially pursue the following priorities.

- The WBG is to strengthen conditions for poor people to participate in economically, socially and environmentally sustainable growth processes. This could be done, for example, through initiatives that increase productivity and employment, and provide the poor with better sustainable livelihood opportunities, decent work and social dialogue. Particular focus should be on creating enhanced conditions for the development of markets and entrepreneurship, especially women's and young people's entrepreneurship and economic empowerment.
- The WBG is to promote good governance through increased initiatives for capacity and institution building that strengthens democracy, the rule of law, and efficiency in management. The WBG is to support domestic resource mobilisation through effective and fair tax systems and tax administrations, strengthened anti-corruption and tax evasion measures, more rigorous accountability mechanisms and greater application of sustainable procurement.
- The WBG, together with the IMF, is to promote macroeconomic stability and debt sustainability in low-income and emerging economies, and contribute to minimising potential adverse impacts of these reforms on the vulnerable and the poor.
- The WBG is to promote an open world economy, a rules-based multilateral trading system as a bulwark against protectionism, and free and fair trade as an instrument for poverty reduction. Through support for an increasingly integrated world economy and global value chains, the WBG is to support its partner countries in managing the challenges and opportunities that trade brings to increased economic development and productivity, including through digital transformation and new technologies, and focusing on gender equality issues.
- The WBG is to continue to sharpen and strengthen the poverty focus in its operational activities. The IFC and MIGA should expand their activities in the poorest countries and in fragile states. The IFC 3.0 strategy is to be implemented to boost added value, development impact and sustainability.
- The WBG is to support multi-dimensional poverty analysis that includes sex, age and inequality as the basis for the design and implementation of initiatives to ensure development impact and relevance for people living in poverty. The WBG is also to contribute to global normative policy development in the area.

## 3.2 Environment and climate

- The WBG is to develop its global leadership and continue to strengthen systematic mainstreaming of environmental and climate considerations into all its activities to ensure WBG financing in line with the Paris Agreement and the 2030 Agenda. The WBG is to strengthen capacity to integrate climate issues, security and gender equality. It is to specifically increase initiatives in sectors where they can have the greatest climate impact, promoting in particular a sustainable energy transition and strengthened adaptive capacity to climate change in the poorest and most vulnerable countries.
- The WBG is to publish the total carbon footprint of its investments and set a target for reduced gross carbon emissions.
- Investments in fossil-fuel-based energy systems are to be phased out as soon as possible. Investments in renewable energy are to increase significantly. The WBG is to contribute to increased access to sustainable energy to reduce energy poverty. The WBG is also to contribute to reducing emissions from existing infrastructure and increasing investments in energy efficiency, without creating lock-in effects of fossil-fuel dependent infrastructure. This is to be achieved by the WBG developing and supporting market mechanisms that promote green growth, circular economies and a transition to low-carbon development, including carbon pricing and the phasing out of fossil fuel subsidies. The WBG is also to work towards this through the Coalition of Finance Ministers for Climate Action, where it serves as the secretariat. The WBG is also to analyse the conditions for, and present proposals on, how it can design and introduce differentiated carbon pricing for investments producing significant greenhouse gas emissions.
- The WBG is to work to ensure that financial intermediaries (IFC in particular) do not invest in fossil-fuel-based energy systems.
- The WBG is to give particular focus to the implementation of national climate strategies in partner countries, especially through policy advice for more environmentally sustainable economic transition/development. The WBG is to strengthen the capacity and ownership of partner countries to implement and raise the ambition of NDCs<sup>1</sup> in line with the climate objectives of the Paris Agreement, including increased domestic resource mobilisation and climate and biodiversity budgeting. The WBG is to contribute to strengthening the capacity of partner countries to prevent, manage and reduce vulnerability to climate-related disasters, not least in relation to women and girls.
- The WBG is to contribute to transitioning global financial flows and developing, supporting and channelling innovative environment- and climate-related financing (for example, green and blue bonds). This also includes promoting incentives for sustainable private sector investments.
- The WBG is to contribute an interdisciplinary and integrated perspective to action on biodiversity, climate change and sustainable oceans. The WBG is to promote a non-toxic circular economy and environmentally sustainable use of natural resources and ecosystem services, for example through nature-based solutions. In particular, the WBG is to give greater emphasis to biodiversity and the drivers of biodiversity loss in the overall risk assessment in relation to investment decisions. The WBG is to increase knowledge about the links between economic development, ecosystems and biodiversity.

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<sup>1</sup> Nationally determined contributions (NDCs) are country commitments to implementing the Paris Agreement.

## 3.3 Gender equality

- The WBG is to systematically integrate a gender perspective, including a strong rights perspective, throughout its activities to increase the impact of initiatives and programmes at national level, not least through policy advice. This could be done, for example, by strengthening methods to ensure consistent analysis of the potential gender impacts of reforms generated by country-level support, including results monitoring of such reforms.
- The WBG is to focus in particular on women's economic agency and empowerment, especially in its operational activities. This could be done, for example, by deepening the work on the importance and potential of trade and legislation for increased gender equality and national gender-responsive budgeting, and by designing projects and programmes focusing on these areas.
- The WBG is to promote gender equality by highlighting the link between gender equality and economic growth and a rights-based approach, and increase activities aimed at promoting women's and girls' resources, rights and representation.
- The WBG is to ensure that adequate internal resources and institutional capacity and knowledge are available to effectively apply a gender perspective and implement the WBG's gender equality strategy. The WBG is to apply its gender equality strategy consistently and systematically throughout the project cycle and throughout the organisation. The WBG is to contribute to research, the publication of statistics disaggregated by sex and age, and global normative policy development. Continuous monitoring and evaluation of gender equality work is to be ensured.
- The WBG is to have clear tools to prevent and combat sexual exploitation, abuse and harassment (SEAH) throughout the WBG's activities and organisation.

## 3.4 Peacebuilding and statebuilding

- The WBG is to adopt an ambitious strategy for its activities in fragile and conflict-affected states (Strategy for Fragility, Conflict and Violence<sup>2</sup>), ensure internal resources and capacity are available to effectively implement and gain traction for the strategy, and present a plan for monitoring and reporting on the implementation of this strategy.
- The WBG is to systematically integrate conflict sensitivity and a conflict perspective throughout its activities, and use the WBG's comparative advantages to counter the drivers of conflict, including inequality, gender inequality and the shrinking democratic space, and strengthen factors contributing to peace. The WBG is to apply a comprehensive approach to conflict prevention, sustainable peace and long-term development<sup>3</sup>.
- The WBG is to continue to increase activities in conflict-affected countries and fragile situations, based on its added value in focusing on long-term development needs, while also meeting the need for prompt action and flexibility. To be relevant, instruments are to be adapted to a higher risk scenario and the dynamic nature of conflict-affected countries and fragile situations.
- The WBG is to increase its focus on initiatives to enable the realisation of women's participation as active agents in peace, in accordance with UN Security Council resolution 1325 and subsequent resolutions on women, peace and security.
- The WBG is to strengthen its institution building and anti-corruption efforts in conflict-affected countries and fragile situations.
- The WBG's cooperation with the UN and other development actors and civil society, not least women's rights organisations, should continue to be developed. In addition, where relevant, the synergies between humanitarian assistance, long-term development assistance and peacebuilding should be strengthened, and humanitarian principles protected. Joint WBG–UN–EU conflict and vulnerability assessments should be promoted.

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<sup>2</sup> The Strategy for Fragility, Conflict and Violence 2020–2025 is expected to be adopted in early 2020.

<sup>3</sup> In accordance with the recommendations in the joint United Nations–World Bank Group report 'Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict' (2018).

## 4. Priorities concerning the WBG's operating practices

The level of the WBG's internal and external effectiveness is assessed as good. Both the institutional assessment by the Government Offices (2019) and international institutional assessments find that the WBG has well-targeted systems that clearly operationalise its mandate and goals. The WBG's strong global ownership and reach enable it to exploit its comparative advantages: a strong financial framework, global reach, deep knowledge and broad mandate combined with its financial, knowledge and advisory services and long-term engagement in partner countries. In general, these strengths are considered to be used effectively both in operational activities and in normative advocacy at national and international policy level.

Internal reforms have been implemented and the financial capacity has been strengthened to improve the implementation of the WBG's overall strategy and the national implementation of the 2030 Agenda and the Paris Agreement.

The assessment is that challenges still stand in the way of integrating thematic priorities – for example, strengthening gender, conflict and rights-based perspectives – into the WBG's activities, and that environment and climate action should be further enhanced. Furthermore, it is assessed that the WBG's operating practi-

ces in conflict situations need to be adapted and that there is scope for improving internal efficiency, responsiveness and the ability to cooperate and coordinate in internal and external partnerships.

Based on the Government Offices' assessment of the WBG, the Government intends to pursue the issues outlined below concerning the organisation's operating practices.

- The WBG is to be an effective organisation with high resource utilisation. The WBG's long-term financial sustainability must be safeguarded, including by sustaining the highest credit ratings and ensuring that resources go to where the needs and value-added are greatest. This means there should be less borrowing from the IBRD by upper-middle-income countries and a greater share of loans directed at lower-income countries. Loans to upper-middle-income countries should focus to a greater extent on public goods, knowledge transfer and remaining pockets of poverty.
- The WBG is to work catalytically and help mobilise more resources from the public and private sector for sustainable investments and innovation, which is a prerequisite for

implementing the 2030 Agenda and the Paris Agreement.

- Collaboration, openness and transparency are to improve. The WBG is to continue to develop collaboration with the UN system, the EU and regional development banks, other relevant development actors and bilateral donors, both in partner countries and globally. The WBG is to promote effective collaboration between development financiers to maximise their contribution as a group<sup>4</sup>, for example by promoting the development of country platforms in accordance with the aid effectiveness agenda and the recommendations of the G20 Eminent Persons Group on Global Financial Governance (EPG, 2018)<sup>5</sup>. The WBG is to have open and constructive dialogue and collaboration with the private sector and civil society actors.
- Efforts to strengthen collaboration and synergies between WBG institutions are to continue, and the WBG's internal processes (including budgeting) must be in line with the WBG's overall strategy. The trust funds are to be better integrated into the WBG's strategic planning and country strategies.
- The WBG is to use high-quality results frameworks throughout

4 In line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

5 <https://www.globalfinancialgovernance.org/report-of-the-g20-epg-on-gfg/development/>

the organisation and in line with its mandate and strategy, not least to support decision-making, accountability and learning. The WBG should improve its ability to demonstrate the link between contributions, objectives, implemented activities, results and long-term development impact especially for people living in poverty and oppression, including how the WBG contributes to the Sustainable Development Goals of the 2030 Agenda, particularly at country level.

- The WBG is to improve its ability to draw lessons from previous experiences and assessment reports and to use these experiences and reports to develop methods and adapt operating practices<sup>6</sup>. Faster processing of evaluations by relevant board committees, clearer monitoring and continuous dialogue between Sweden and the WBG's Independent Evaluation Group (IEG) can contribute to the goal of greater aid effectiveness.
- Sweden will work to gain greater traction for Sweden's prioritised issues in the WBG's policy dialogue in partner countries.
- Sweden will work to ensure that the WBG strengthens its capacity to contribute to sustainabi-

lity, inclusion and respect for human rights, and that it adopts a rights-based approach to its operational activities. The WBG is to promote an enabling environment for civil society and the private sector in partner countries, not least in situations where the democratic space is shrinking.

- The WBG is to have a clear and robust environmental and social framework (ESF)<sup>7</sup> for investment projects that includes respect for UN and ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. The WBG is to ensure effective application and monitoring of the ESF in all environments, including fragile states. Application should be broadened to include budget support.
- The WBG is to promote greater application of the sustainability criteria and life-cycle cost assessments in partner countries' public procurements.
- As an employer, the WBG is to provide a good working environment and a gender-equal and environmentally aware workplace. Remuneration systems for staff should be cost-effective, performance-ba-

sed and transparent. The internal systems to combat sexual exploitation, abuse and harassment (SEAH) and discrimination are to be robust, focusing on prevention in accordance with the OECD-DAC recommendations on ending SEAH.

- The WBG is to have a robust system of accountability and internal control, including protection for whistleblowers. Sweden has a high level of confidence in the World Bank Inspection Panel (IPN) – its independent complaints mechanism – and its equivalent in IFC and MIGA – the Compliance Advisor Ombudsman (CAO) – mandated to investigate compliance with operational policies and procedures, and foster redress when warranted.
- Sweden will work to ensure continued strong and proactive Swedish and Nordic-Baltic influence on the WBG board. In future reviews of influence and representation in the WBG, Sweden will also promote continued adaptation, where low- and middle-income countries have a stronger voice on the WBG board in line with their growing global role, while protecting the voting power of the poorest countries.

6 Through the World Bank's Independent Evaluation Group (IEG).

7 Environmental and Social Framework (ESF).

# 5. Advocacy channels for implementing the strategy

Sweden is represented on the WBG board by a joint board member for the Nordic and Baltic countries. IDA replenishment negotiations are held on a national basis. With its comparatively high level of support to IDA and the trust funds, Sweden is well positioned to influence WBG activities.

The Government will work actively to gain traction for the priorities outlined above, including through:

- constructive involvement in, and a proactive approach to, the work of the WBG board, in close cooperation with the Nordic-Baltic constituency and in dialogue with other member countries and constituencies;
- negotiations and monitoring of core support (IDA);
- continuous, coherent bilateral dialogue with the WBG at both political and technical level;
- follow-up and development of bilateral high-level dialogues initiated between the WBG and Sweden<sup>8</sup>;
- close cooperation with and between the relevant agencies, particularly the missions abroad and Sida;
- the promotion of increased interaction between missions abroad and WBG country offices, in analytical work and operational cooperation;
- close cooperation with external actors in Sweden (including civil society organisations, academic institutions and the private sector) and in partner countries;
- promotion of the recruitment of Swedes to regular WBG positions and through various resource base development programmes (including strategic secondments, the Junior Professional Officers Program and the Young Professionals Program) within the framework of Sweden's priorities;
- promotion of the use of Swedish expertise, resource base and solutions, for example through public procurement processes in partner countries.

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<sup>8</sup> Bilateral high-level dialogue every two years since 2017.

## 6. Support to the World Bank Group's trust funds

Sida (and where appropriate other Swedish agencies) is to consult with the Government Offices before deciding on larger financial contributions in relation to Sweden's core support to the organisation, or support to strategy policy development or thematic area beyond the priorities set out in this strategy.

The continued focus of Sweden's financing to WBG trust funds is to be in line with this strategy. In specific cases, it may be of strategic interest to contribute to knowledge sharing and engage in developing subject matter expertise with the WBG in areas that are not included in this strategy but that lie within the framework of

the Government's bilateral, regional and thematic strategies for development cooperation. In such cases, this must be duly justified by the party intending to provide the support in question, and the Government Offices must be consulted about the support.

# 7. Monitoring

The principal results monitoring is carried out in relation to the WBG's strategic plan and its associated results frameworks, annual reports and other regular reports of its activities.

This strategy will be monitored according to the principles and

processes set out in the Government's guidelines for Swedish development cooperation and humanitarian assistance strategies. Monitoring will be conducted on a regular basis, including at the organisational consultations held between the Government Offices (Ministry for Foreign Affairs,

Ministry of Finance and other relevant ministries), Sida and other relevant agencies. Organisational consultations will be held twice a year, with the aim of sharing experiences and strengthening a coherent and strategic approach.



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