

# The World Bank and the Financial Crisis

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- Financial crisis and the World Bank
  - Devastating for developing countries
  - Salvation for the IMF & WB?
- Are the IMF and the WB the right actors to solve the crisis?
- WB strategy: Private sector led growth
- **Nordic-Baltic countries must ensure that private sector investment contributes to development and poverty reduction**

Four areas for increased focus over the next years:

1. Conditionality – still an issue?
2. When the Bank is doing business!
3. IFC lending – contributing to real growth and poverty reduction?
4. WB governance reform

- WB has improved – fewer conditions attached to lending
- Maybe because “job done!” – there is no more things to liberalise and privatise in Africa?
- Still many ‘soft conditions’ in Banks operations and advice
- Away from prescriptive economic conditions → Towards Outcome based conditions with point of departure in social outcomes as defined in the 2015 development goals

- WB annual Doing Business report – where should you set up Business? Ranking of countries according to indicators.
- In its spirit it is all about deregulation, avoiding labour rights and minimise tax payment
- **Belarus** gets a good score for making it easier to fire workers
- **Georgia** is praised for abolishing social taxes
- Tax havens figure top of the list – is this what we want to encourage?

# IFC and tax-evading companies

- Lending to private sector led growth:
- IFC up 200 % from 5,6 bio in 2004 → 14,5 in 2009
- IFC supports companies based in tax havens and aggressively avoiding tax
- 6-700 bio USD are escaping developing countries through multinational companies
- Especially in the extractive industries sector this is the problem
- The case of Kosmos Oil in Ghana illustrates the problem
- Is this a growth model that contributes to development and pro-poor growth?

- The ethos of the WB is reflecting its undemocratic structure
- Strengthen the voice of developing countries.
- The IMF limited governance model is not a model for the WB
- More equal voting power for dev' countries
- EU reshuffling of 8 Board directors?

# IDA 16 replenishment – an opportunity for influence

- IDA replenishment negotiation from From March to end 2010.
- Norwegian government said that “*Volume of Norwegian aid channelled through the WB will depend on results in governance and reform processes*”
- Replenishment should push for
  - Doing Business indicators on social rights and tax payment – and other subtle ways of setting conditions
  - IFC due diligence on tax havens and labour standards
  - Genuine Governance reform



**Thank  
you!**

