

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION



DRAFT

Strategy for Denmark's Cooperation with the World Bank Group

2019 - 2023

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List of abbreviations

BoD	Board of Directors
BoG	Board of Governors
CODE	Committee on Development Effectiveness
COGAM	Committee on Governance and Executive Directors' Administrative Matters
CPF	Country Partnership Framework
ED	Executive Director
FIF	Financial Intermediary Funds
HCI	Human Capital Index
HCP	Human Capital Project
IBRD	The International Bank for Reconstruction and Development
ICSID	International Centre for the Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
MDB	Multilateral Development Banks
MIGA	Multilateral Investment Guarantee Agency
NBC	Nordic-Baltic Constituency
NBO	Nordic-Baltic Constituency Office
NDC	Nationally Determined Contributions
SCD	Systematic Country Diagnose
SDG	Sustainable Development Goals
SORT	Systematic Operations Risk-Rating Tool
WBG	World Bank Group

1. Objective

This Strategy for the cooperation between Denmark and the World Bank Group (WBG) forms the basis for the **Danish contributions** to the organisation, and it is the central platform for Denmark's dialogue and partnership with the WBG. It sets up **Danish priorities** for the WBG's performance within the overall framework established by the WBG's own strategy. In addition, it outlines key Danish priorities focused on climate, with special emphasis on sustainable energy (SDG7), and sustainable development in Africa as the primary geographic focus area.

2. The Organisation

2.1 Mandate and Mission

Denmark sees the World Bank Group as main cogwheels in the institutional machinery that supports developing countries in reaching the Sustainable Development Goals (SDG)¹ and the climate targets. This includes helping countries to maximize the impact of the support they receive from development partners such as Denmark bilaterally and multilaterally. The WBG can fulfil this role due to its particular characteristics. The WBG:

- is the biggest single provider of financing for development;
- has unrivalled analytical capacity to produce new knowledge about development;
- holds convening power and has privileged access to key decision makers;
- combines almost universal country presence with a global outlook;
- engages in countries over the very long-term with a direct stake in their development;
- works across sectors and addresses the entire range of development issues;
- has a holistic view of both the role of government and the private sector;
- combines policy development support with system-wide reform and institution building;
- mobilises private investment and funding for development;
- deals with both the pace and inclusivity of growth, as well as its social, environmental and climate dimensions;
- inspires countries to undertake complex and long-term changes; and
- uses systematic diagnostics that feed into country partnership frameworks and enables the Bank to share lessons for the benefit of other countries.

The overarching mission of the WBG is a **world free of poverty**. The twin goals² set to achieve this are:

- **End extreme poverty:** Reduce the percentage of people living on less than USD 1.90 a day to 3 pct. by 2030³.
- **Promote shared prosperity:** Foster income growth of the bottom 40 pct. of the population in every country.

The Bank pursues these goals through its support for sustainable growth with job creation, human capital development, institutional development, as well as addressing risks and resilience including from climate change, conflict and pandemics.

¹ The World 2030, Denmark's development and p.15

² World Bank Group Strategy, 2013, p.1

³ This was originally set to USD 1.25 a day but has later been adjusted to USD 1.90 a day.

2.2 Organisation and Management

The WBG comprises **five entities**: the International Bank for Reconstruction and Development (IBRD), which lends to middle-income countries; the International Development Association (IDA), which lends on concessional conditions and provides grants to low-income countries; the International Finance Corporation (IFC) that invests in and finances the private sector in low- and middle- income countries; the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees on investments; and lastly the International Centre for the Settlement of Investment Disputes (ICSID) dealing with settlements of contract disagreements.⁴ Although these are separate entities, they are governed by the same boards, guided by a common overall WBG Strategy, operate under joint Country Partnership Frameworks and share the same administrative and manpower resources to a significant extent. The WBG also mobilises resources through **Trust Funds**, financing about a third of its available resources. Over time, the IBRD and IFC have provided financing for development that equals over 50 times shareholders' paid-in capital⁵.

The member countries, or shareholders, are represented by a **Board of Governors** (BoG). The Minister for Development is Denmark's governor. The governors delegate to 25 Executive Directors (ED's), who work as a resident **Board of Directors** (BoD). Denmark is part of the 8-country **Nordic-Baltic Constituency**⁶ (NBC). The BoD meets 'in continuous session' to oversee the WBG's business, including strategy development, country assistance strategies, approval of loans, grants and guarantees, the administrative budget and other financial and policy decisions. The Board also has five standing committees that meet regularly⁷. The BoD selects the WBG President for a five-year, renewable term. The President chairs meetings of the BoD and is responsible for overall management of the WBG.

IBRD/IDA are organised into units responsible for regions, sectors, and general management. Their participation in so-called Global Practices and Cross-Cutting Solutions Areas facilitates attention to transversal concerns and knowledge sharing throughout the organization. The regional Vice Presidents have oversight over **Country Teams**, which are the chief contact points for borrowing countries. Country teams draw on the operational and technical expertise of the Global Practices to cater to client needs. These are outlined in 5-year **Country Partnership Frameworks** (CPF's), developed on the back of **Systematic Country Diagnostics** (SCD's) designed to identify constraints to and opportunities for the achievement of countries development priorities, building on the SDGs and the Nationally Determined Contributions (NDC).

3. Key Strategic Challenges and Opportunities

3.1 WBG's Strength, Relevance and Comparative Advantage

The WBG leverages both knowledge *and* finance - and it does it **at scale**. Other development institutions have deep knowledge on specific areas too; however, the World Bank has the mandate and the ability **to impact practically the whole development agenda** within one single framework. The overall conclusion of the 2016 **MOPAN assessment** on the WPG's performance was that: "... *the World Bank is a mature and high-performing organisation, which meets the requirements of an effective multilateral organisation that is both fit for purpose and can anticipate and adjust to a changing world. It is the primary source of funding for developing countries and provides strong intellectual leadership on a broad*

⁴ See annex 2 for organigrams of the individual WBG-institutions

⁵ Report to Governors, Sustainable Financing for Sustainable Development, April 2018, p.7

⁶ Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

⁷ Committee on Development Effectiveness (CODE), Committee on Governance and Executive Directors' Administrative Matters (COGAM), Audit Comm., Budget Comm. and Human Recourses Comm.

*range of issues of global importance.*⁸ These factors all contribute to the **strong and growing demand** for the institutions services and are reasons why the member countries in 2017 agreed a record 18th replenishment of IDA with 75 billion US\$ - a 43 percent increase over IDA17 obtained by allowing IDA to raise funds on the capital markets. They also motivated the agreements in 2018 on an increase of 13 billion US \$ paid in capital in IBRD and IFC, the largest in the history of the organizations. These agreements were accompanied by stronger commitments for WBG's work on climate, in fragile contexts and on gender equality – accomplished in no small part **thanks to the work of Denmark and its constituency**. These capital injections will allow the Bank to make available to developing countries an annual average of 100 billion US \$ over the coming decade, reaching 130 billion US \$ annually by 2030.

Over the years, shareholders have added to the broad mandate of the WBG with a long list of additional development concerns, often backed with earmarked funding. The WBG has made an effort to integrate the new tasks in its policies and operations. However, the continuous stream of new expectations on the WBG must be managed to avoid mandate overload and undermining of the institutions governance and administrative model. This calls for heightened shareholder sensitivity to the WBG's core mandate to avoid that the institution is sidetracked, away from its demonstrated comparative advantages of fostering broad-based and sustainable economic development. Management has undertaken reforms in order to consolidate the many smaller trust funds in fewer umbrella facilities and bring them under tighter BoG scrutiny. Management has also addressed the risks of “mission-creep” by setting out a long-term vision for the WBG's contribution to the 2030 Agenda. This vision, known as the **Forward Look**⁹, describes the critical role that the WBG can play in fostering inclusive economic growth and a climate friendly future.

3.2. Adapting the WBG: Changing Framework Conditions, New Actors, and Better Collaboration with Partners

Like its sister organisation the International Monetary Fund (IMF), the WBG is the target of an **intense struggle for influence** amongst its member countries. The weight of developing countries in the world economy has grown considerably and now stands at around 40 percent in market prices (in Purchasing Power Parity terms they surpassed advanced economies in 2008). The gap to advanced countries is narrowing and, unsurprisingly, these countries demand stronger voices in the two institutions. This was accommodated to some extent in the last quota and shareholding reforms, though neither of the Bretton Woods Organisations yet fully mirrors the new economic realities in the world in this respect. Currently, the BRICS-countries continue to emphasise the importance of the WBG for their own development as a financier and knowledge provider. This motivated their strong demand for the recent capital increases of the IBRD and the IFC. Management is well aware of the need to balance the varied views and interests of the broad membership in the day-to-day work of the institutions. Denmark has a strong interest in maintaining the WBG as a representative and rules-based global institution for problem solving, as the preferred alternative to smaller clubs of countries, such as the G7 and the G20 where Denmark has no seat at the table. Consequently, Denmark and the other countries in its constituency are supportive of a **stronger voice for emerging and developing economies**, which it sees also as the most effective deterrent to moves to create alternative bodies

The Forward Look **positions WBG firmly within the overall SDG framework**. The way the WBG has oriented its strategic outlook and organised its day-to-day work around the SDG's has further strengthened the relationship between the WBG and the other parts of the international development architecture, but calls for even better collaboration with key partners such as (a) the

⁸ The World Bank Institutional Assessment Report, MOPAN, p. VI <http://www.mopanonline.org/assessments/worldbank2015-16/>

⁹ Forward Look – A Vision for the World Bank Group in 2030, 2016 (October)

UN-family, (b) the African Development Bank and MDBs in general (c) civil society organisations and (d) the private sector as outlined below. Denmark will continuously underline the need for strengthened collaboration, and - where possible - aim to bring relevant parties together.

(a & b) **Relations between the WBG and the members of the UN-Family have improved considerably**¹⁰ particularly in fragile contexts and human development where Denmark has been in front facilitating stronger links around the so-called Hum-Dev-Peace Nexus. The WBG is fully aligned with **the Paris, Accra, and Busan agenda**¹¹. In the face of a weaker buy-in from some development partners, calls have been made for MDBs to strengthen these in-country platforms.¹² Fortunately, the WBG has a good working relationship with the other **multilateral development banks**, including the AIIB and the New Development Bank ("the BRICS bank"), but as the WBG is often right at the centre of in-country coordination, one should expect that the WBG improves policy coordination amongst the MDB's¹³.

(c) WBG invites civil society organisations to global strategic dialogues twice a year, and the President convenes a town hall meeting once a year. At the country level, there are consultations on the WBG SCD and CPFs, on the WBG environmental and social safeguards and their application to specific projects and programs, where CSOs also often participate in Third Party Monitoring. Humanitarian CSOs are invited to regular consultations with the WBG in Washington and have been contributing considerably to the formulation of the upcoming Strategy for Fragile and Conflict Affected Countries. In demanding situations, CSOs are used as implementing or Third Party Monitoring agents. Nevertheless, in light of the Bank's strengthened mandate to focus on countries affected by fragility, conflict and violence, and based on feedback from CSOs, the WBG will need to further improve its efforts to proactively include input from civil society and CSOs working in-country. Denmark leads by example by inviting relevant organisations to the Ministry of Foreign Affairs ahead of annual and spring meetings to discuss the multilateral agenda of these meetings.

(d) Over the last decade, the WBG has increasingly engaged with **new actors** on the global development scene. The WBG's strong tradition for reaching out to and collaborating with the business sector has been taken to a new level as much more attention has been paid to **leveraging private capital** for development by the international development community. **Maximizing Finance for Development (MfD)** is the denominator of the WBG's approach to systematically use all levers of finance for development. It is a relatively simple methodology applied to determine whether (1) a given constraint to private sector development can be tackled by private investors and financiers on their own, (2) requires participation with risk capital or concessional finance by the WBG or (3) necessitates policy change and institutional or regulatory reform. With this in mind, and based on feedback from Danish businesses, the WBG should increase efforts in order to help countries (1) improve procurement processes to give more weight to quality compared to price and (2) refine the payment system to prevent payment delays. Denmark works to facilitate on-going dialogue between Danish businesses and the Nordic-Baltic executive director.

¹⁰ The WBG has created a position as Senior Vice President for the 2030 Development Agenda, United Nations Relations, and Partnerships.

¹¹ One of the areas the MOPAN 2016 review looked into was the WBG's ability to engage in inclusive partnerships to support relevance, to leverage effective solutions and to maximize results in line with the Busan Partnerships commitments. The Bank received the highest marks.

¹² Report on the G20 Eminent persons Group on Global Financial Governance, October 2018.

¹³ WBG President Malpass' speech to the Development Committee, April 2019

3.3. The WBG's Ongoing Reform Process Focuses on Relevance and Efficiency

The WBG has been in a continuous reform-mode since 2012 to stay relevant to its clients, including through delivering better services and piloting new approaches, and to remain an attractive workplace for its staff. The **Forward Look** focuses on four pillars: 1) serving all clients; 2) creating markets, maximizing finance for development, and expanding the use of private sector solutions; 3) leading on global issues; and 4) improving the WBG business model¹⁴. The Forward Look goes together with the **Agile Bank Initiative** encouraging a shift in mind-set towards more flexible and adaptive approaches to problem solving and delegation of authority to the front lines. The WBG is also harnessing its assets more efficiently¹⁵ including better staff management, managing the budget for greater efficiency, and streamlining administrative services.

4. Priority Areas and Results to be Achieved

4.1 Denmark's influence and WBG relevance in relation to Danish priorities

The overall Danish development and humanitarian strategy highlights that it is the broad mandate of the WBG and the other MDB's together, with their financial strength, their long track record and capacity to leverage private and public resources that make them **vital partners for Denmark**¹⁶. The strong emphasis on the SDG-agenda means that the activities of the WBG should be seen as a **multiplier** of the investments that Denmark makes in the organisation. With its convening power and platform role in Denmark's priority countries, it also leverages the impact of Denmark's bilateral effort. The latest MOPAN institutional survey pointed out that the WBG's comparative advantage lies in its capacity to provide a tailored package of financing and knowledge to its clients. Its internal structures, processes and procedures support the efficient and effective delivery of these services in line with its mandate. Other surveys reach similar conclusions¹⁷. Still, the WBG could become more agile and flexible in adapting to the ever-changing conditions in-country, which would also enable better collaboration with partners.

Although Denmark's influence in the WBG can be formally defined by its voting power¹⁸, in reality **Denmark has more influence in the WBG than the modest holding of shares would suggest**. Denmark's influence derives from three factors: the consistency of positions over time; the large contributions to development in relation to GDP and; the selection of compelling policy themes that other donors also want to support. Because of the similarity of approaches, Denmark's influence has been magnified through coordination, particularly with the Nordic countries in its constituency in the Bank. **The Nordic–Baltic Constituency** has frequently been recognised for having **influenced the direction of the institution** to a degree that goes beyond the constituency's actual share of votes. In the past, the Nordic countries were front-runners in promoting **socially responsive lending**. In later years Denmark and other constituency countries have led the effort to make the WBG prioritise important areas such as **climate change, the environment, renewable energy, gender equality, governance, fragile and conflict situations, disaster risk management, illicit financial flows** as well as **disruptive technologies**. These areas are today part of the mainstream work of the WBG, and Denmark aims to push the Bank in the direction of even higher ambitions, not least with regard to climate. Much of Denmark's influence goes through its constituency, which annually sets out its goals for the

¹⁴ The Forward Look – Implementation Update, April 2019

¹⁵ The WBG undertook a USD 400 million/3 year cost cutting reform in 2015-17.

¹⁶ The World 2030, p. 15

¹⁷ WBG was one of only five organisations to deliver “exceptional results” in the DfID's “Raising the standard: the Multilateral Development Review 2016”.

¹⁸ Denmark's voting power is 0.78 in IBRD, 0.92 in IDA, 0.71 in IFC and 0.68 in MIGA

coming year in a paper entitled “Main thematic and operative priorities”. This serves as a framework for the constituency’s day-to-day coordination of positions relating to the policies, strategies, programmes and knowledge products that come to the Board for discussion and decision-making, in which Denmark participates actively. In addition, Denmark also contributes to a number of Trust Funds in the Bank, several of which have been catalytic for the integration of new aspects in its work. Last, but not least, the numerous Danes employed or seconded in the WBG are a valuable source of knowledge and learning.

4.2 WBG and Denmark’s Strategic Policy Priorities

The overall Danish priorities are (1) climate with a special emphasis on SDG7 sustainable energy as well as (2) sustainable development in Africa. In addition, the Danish development and humanitarian strategy “The World 2030” defines **strategic points** that govern Danish policy priorities¹⁹ and which therefore further guides Danish priorities within the broader WBG work. These are: Security and development – peace, stability and protection; Migration and development; Inclusive, sustainable growth and development, and; Freedom and development – democracy, human rights and gender equality.

The WBG contributes to the realization of all the 17 SDGs. In view of the WBG’s comparative advantages in the multilateral development architecture **Denmark considers the following seven SGD’s particularly pertinent** for the WBG during the coming strategy period: **SDG 1** No poverty; **SDG 5** Gender equality; **SDG 7** Sustainable energy; **SDG 8** Decent jobs and economic growth; **SDG 10** Reduced inequalities; **SDG 13** Climate Action; **SDG 17** Partnership for action.

Four Danish priority areas for the strategy period:

In line with the above, climate and sustainable development in Africa are the main overall Danish priorities throughout the strategy period. With Africa as the main *geographic* focus area, it is relevant to give special attention to ‘fragility and the Human-Development-Peace Nexus (including migration)’ as well as ‘inclusive growth and job creation’. Finally, Denmark will remain committed to prioritise gender equality.

1. Climate change: Denmark sees the WBG as a leading force in bringing climate change, mitigation and adaptation to scale in developing countries, and it will work with like-minded countries to ensure that the ambition is continuously raised both on the quantitative targets, on the institutions engagement in the broader reforms and on leveraging private capital and finance. With its privileged access to finance and other key ministers, the WBG also has a key role in assisting countries in the costing and integration of their NDCs in the plans for public and private investments as well as in their state budgets. Denmark will work for more ambitious quantitative targets in IDA19 (28 percent proposed by IDA) and IFC (32 percent agreed annually to 2030). However, Saudi Arabia, US and some borrowing countries may pull in the opposite direction. More broadly, Denmark is committed to showing leadership in raising the global ambitions on SDG7 (sustainable energy), and sees the WBG as a key actor in this regard.

2. Fragility and the Humanitarian-Development-Peace Nexus as well as migration: Denmark has been and will remain a key partner for the WBG in its efforts to strengthen its role in the humanitarian-development-peace-nexus, which is especially relevant for Africa. The upcoming UNHCR-WBG **Joint Data Centre on Forced Displacement** to be placed in Denmark is

¹⁹ “The World 2030”, p.5

one result of this partnership. Denmark will also encourage the WBG to further intensify its assistance for development in communities hosting large numbers of refugees in developing countries.

3. Inclusive growth and job creation: Denmark supports the WBG in its strong efforts to assist poor countries, particularly in the Africa region, to enable them to reap the development dividend associated with the rapid rise in the proportion of people of working age in relation to dependants. The WBG also has a critical role in assisting middle-income countries – some with large groups of absolute poor, others with growing inequality or stalled economic transition.

4. Gender equality: The WBG is now fully equipped with the analytical tools and instruments needed for the group to address gender equality in all relevant operations. In the coming strategy period Denmark will work to ensure that this capability is put to full use to close the gender gaps through the policy dialogue and policy based lending and in its projects. Full attention must be paid to deal with hard constraints such as women’s ownership of assets and access to SRHR.

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With strong support not least from the Nordic Baltic Constituency, the WBG engaged early on **in the climate agenda**. The IBRD surpassed a 28 percent target for climate co-benefits ahead of time and has set a new annual target of 35 percent target for itself for the period 2020-2025, doubling its climate investments to USD 200 billion. These percentages, however, are only part of the story as they relate mainly to WBG investment lending. With its near universal presence in developing countries, ability to support wholesale economic transformation and capacity to help crowding in private capital and finance, the WPG’s potential impact is much bigger.

Although the WBG’s articles of agreement prohibit its involvement in countries’ domestic political affairs²⁰, the boundaries of actual practice have been pushed over the last couple of decades. Good governance and political economy issues are playing a much stronger role than previously. After years of urging from Denmark and like-minded countries, **human rights** are now also part of the WBG’s strategic outlook – not with the Bank as a leading advocate of human rights at the political level, but as a guarantor that relevant parts of the normative HR framework are integrated in the guidelines applying to its programs and projects²¹. **Gender equality** has steadily moved up the WBG-agenda, framed as both the normatively right thing to do, as well as being smart business and good economic development²². The WBG gender strategy focuses on human endowment, including sexual and reproductive health and rights; more and better jobs; ownership and control of assets and; voice and agency. The Country engagements are the most concrete vehicles for promoting the WBG’s gender objectives and all SCD’s and CPF’s are required to address how to move forward in the four areas.

Born out of the destruction of World War II, the WBG is generally very aware of the role that development plays in promoting **peace and stability** as global public goods. The WBG has considerably stepped up its work in **fragile situations** where activities to stimulate growth and job opportunities are often key to the success of the international efforts to stabilise the economic

²⁰ IBRD Articles of Agreement, Article IV, Section 10. Last amended June 27, 2012

²¹ The full sentence in WBG-strategy reads: “It [the WBG] embraces action to remove barriers against those who are often excluded, such as women, youth, and minorities; to protect fundamental human rights and dignity; and to ensure that the voice of all citizens can be heard”. The World Bank Group Strategy, 2013, p.6

²² WBG Gender Strategy (FY16-23) : Gender Equality, Poverty Reduction and Inclusive Growth, p.7

and political conditions and help countries steer away from conflict. Denmark has been instrumental in encouraging the WBG to support efforts to ensure better integration of the development and humanitarian dimensions in conflict affected countries and fragile states, including through much closer collaboration between the WBG and the UN humanitarian organisations. An important platform has been provided with the creation of the **Global Concessional Financing Facility** providing long-term support for middle-income countries hosting large numbers of refugees²³. Another initiative with strong Danish involvement is the **Humanitarian-Development-Peace Initiative** - a joint effort by the UN and the WBG to deliver comprehensive and integrated responses to countries at risk, in protracted crisis and post-crisis situations.

In recent years, **migration and the plight of refugees** have come to the fore in WBG thinking and operations. Mindful that its mandate is not humanitarian, the WBG has been looking for ways to play a more active role as regards internally and externally displaced persons. Two areas stand out: 1) Support for alleviating the economic strains put on hosting societies; and 2) Creating economic opportunities for migrants, refugees and displaced persons. In view of the priority given to the topic by many shareholders, the Bank needs to intensify its work in these areas where Africa is the main priority for Denmark.

The true strength and comparative advantage of the WBG, however, lies within the third of the four areas identified by the overall Danish development and humanitarian strategy: **Inclusive, sustainable growth and development**. On a global scale, the WBG views the differences in countries' level of development and demographic realities as comparative advantages that to a large extent can be exploited through trade and Foreign Direct Investment to maximize SDG outcomes globally. The fast rate of population growth now happening in **Africa** is the continent's window of opportunity for making a quantum leap in development. Helping countries move along this trajectory is the key rationale for the WBG, and it is equipped with powerful tools to influence policy, support reforms of the business environment, invest in human development, institutions and infrastructure as well as to attract and leverage private investment and finance for development²⁴. In October 2018, the WBG launched its **Human Capital Project** (HCP) and Index (HCI). The HCP emphasizes the need to invest in health and quality education and the HCI ranks countries according to their performance. In relation to human and animal health Denmark is engaging with the World Bank to tackle anti-microbial resistance (AMR).

In line with the Danish strategy for **economic diplomacy**, which calls for international partnerships that can promote sustainable investment and open doors for Danish businesses²⁵, the MFA will work to ensure that Danish companies' expertise is utilised by the WBG in its quest for solutions to development challenges. In the annual overview of contracts awarded with WBG financing, Danish companies generally perform very well compared to other countries in our constituency. The bulk of WBG financed projects are executed through borrowing countries own financial and procurement systems. Danish companies have complained about delays in payment when governments are cash strapped, and a solution is being sought to this problem.

4.3 Monitoring

MOPAN is a joint entity financed by donor countries to undertake periodic, comprehensive assessments of the efficiency of multilateral institutions. Its last assessment of the WBG covered 2015-2016 and it is expected that the next assessment will take place during the strategy period.

²³ Middle income countries currently host around six million refugees worldwide but struggle to find affordable and sustainable means of coping with the additional costs associated with an influx of refugees

²⁴ Growth for the Bottom 40 Percent, The World Bank Group's Support for Shared Prosperity, An independent Evaluation, IEG, March 2018

²⁵ Government Strategy for Economic Diplomacy, MFA Denmark, March 2018, p. 13

Recently, steps have been taken to strengthen the monitoring of key multilateral institutions in Denmark’s priority countries. At the same time, the WBG extensive reporting on the results of its work and of its evaluation department will be kept under continuous review. The Corporate Scorecard - discussed in the BoD once a year - combines indicators and targets across the WBG with a focus on both development effectiveness and organisational efficiency. For the purpose of the current strategy period 2019-2023, four indicators chosen from the **Corporate Scorecard**²⁶ (see annex 3) will be highlighted.

Target 1: “Ending extreme poverty” requires a collective effort by all countries. Nevertheless the target is included taking into consideration the WBG’s broad mandate and range of activities in virtually all aspects of development. Target 2: “Promote shared prosperity” is defined as income growth for the 40 percent poorest in each country. The target is beyond the control of the WBG, but particularly for middle-income countries, it is an indication of the WBG’s ability to encourage decision-makers to stem the tide of inequality. Target 3: Greenhouse gas emissions reduction is more directly attributable to the WBG. Target 4: “WBG effectiveness and impact on development results” is directly attributable to the institution’s organizational efficiency and effectiveness in meeting the needs, measured annually via the WBG Country Opinion Survey Program²⁷.

Target 1.	Baseline (2011)	Actual (2013)	Target (2020)	Target (2030)
Population living on less than USD 1.90 a day (%)	13.5	10.7	9	3

Target 2.	Baseline (2011)	Actual (2013)	Target
Median of growth rates of average real per capita income of the bottom 40 pct. (%)	3.6	3.1	Awaits WBG

Target 3.	Benchmark (FY15-17)	Actual (2018)	Target
GHG emission reductions in tonnes of CO2eq/year	15,558,331	59,711,652	Awaits WBG

Target 4.	Baseline (FY13)	Actual (FY17)	Target (FY23)
Client feedback/satisfaction on WBG effectiveness and impact results (scale: 1-10)	6.9	7.1	Awaits WBG

²⁶ Results are made public on the WBG webpage: <http://scorecard.worldbankgroup.org/>

²⁷ The WBG Country Opinion Survey Program includes government institutions and agencies, development partners, private sector, civil society, nongovernmental organizations (NGOs), academia, and media. Stakeholders answer the following questions: (a) “Overall, please rate your impression of the World Bank Group’s effectiveness in your country.” and (b) “To what extent does the World Bank Group’s work help to achieve development results in your country?” (Using a 10-point scale with 1 being “not effective at all” or “to no degree at all”, and 10 being “very effective” or “to a very significant degree”).

WBG’s organisational effectiveness is also judged based on its approach to fighting **corruption**²⁸. The WBG combines a proactive policy of anticipating and avoiding risks in its own projects with a commitment to help clients and stakeholders identify and combat corruption, including through support to reform of public financial management, procurement and external scrutiny of public action. The World Bank has a **zero-tolerance** policy towards corruption in its projects. Entities and companies involved in misconduct are debarred from engaging in any new Bank-Group-financed activity²⁹. Denmark will work with the WBG to ensure the mainstreaming of anti-corruption into all parts of operations.

5. Budget

The following expected contributions to the core budgets of IBRD, IDA and IFC are based on the Danish government’s priorities for development cooperation 2019-2022³⁰ where account number 06.37.01 covers the WBG:

World Bank Group	2019	2020	2021	2022
DKK million	763	1056	1005	1021

The bulk of the foreseen financing will be made up of the scheduled Danish contributions to the **capital increases** in IBRD and IFC as well as **IDA replenishments**. Denmark is expected to contribute USD 53.2 million in paid-in capital and USD 340.7 million in callable capital to the capital increase in IBRD and USD 62.7 million in paid in capital to the capital increase in IFC. Payments are expected to start in 2019 and continue to 2023. This strategy period will cover the negotiations of both the 19th (December 2019) and 20th (December 2022) replenishment. Denmark’s contribution to the 19th Replenishment of IDA is expected to be around 2.5 billion kr.

In addition to the contributions to the core budgets, Denmark provides considerable funding for the WBG’s thematic and crosscutting work through **trust funds**. Presently Denmark supports 68 trust funds³¹ that either are run directly by the WBG or where the Bank is the caretaker of Financial Intermediary Funds (FIF) (see annex 1). Mindful of the potentially corrosive effects of earmarking and of the proliferation of new concerns pushed on to the WBG agenda by shareholders through trust funds, Denmark will exercise restraint in this respect. Trust fund engagement will be brought in line with standing guiding principles³² and priority given to multi-donor engagements³³.

6. Risks and Assumptions

At the institutional level MOPAN 2016 described the WBG as “a **highly risk-conscious institution**” and gave the Bank the highest grades of “evidence confidence”. The external review of the capital adequacy framework of IBRD indicated that the **WBG’s risk assessment and management is sound** and well fitted to protect the institution’s AAA-rating. To strike the right bal-

²⁸ The approach is described here: <http://www.worldbank.org/en/topic/governance/brief/anti-corruption>

²⁹ In the past 7 years, the World Bank Group has debarred 368 firms and individuals.

³⁰ The Government’s Priorities for Danish Development Cooperation 2019, Expenditure framework for Danish development cooperation, 2019-2022

³¹ These includes 47 IBRD/IDA and 9 IFC trust funds as well as 11 Financial Intermediary Funds (FIF), where the WBG is the caretaker of the trust funds.

³² Guiding Principles for Better Management and Quality of Earmarked Funding, MFA 2015

³³ Guidelines for Management of Danish Multilateral Development Cooperation, MFA 2018, p. 16-17

ance at the operational level between development impact and risks all WBG country engagements are required to incorporate calculated risk assessments and include mitigation strategies using the **Systematic Operations Risk-Rating Tool** (SORT). The tool is structured around a matrix of nine risk categories, which includes development impact, environmental and social safeguards, integrity and financial management, as well as credit, market and counterparty risks amongst others. SORT also includes an accountability and decision making framework, which applies to risk assessment and management throughout the project cycle to clarify responsibility and ownership for different levels of risk. Since the organisational reform initiatives are still under implementation, there is naturally some degree of uncertainty whether the new approaches will yield all the benefits they promise³⁴.

The tensions arising from the more direct competition between the US and China in the WBG will require attention to mitigation from other shareholders. In the anticipation of a growing influence from new powers in the WBG, Denmark will work to uphold the Groups value proposition and safeguards.

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³⁴ "It remains too early to judge the full effect of reforms." MOPAN p.3. The IEG has found that the prolonged change process is yet to produce the desired institutional clarity, streamlined processes and enabling environment that motivates staff to strive for excellence