IFC 3.0: superficial upgrades, same problems?

In February Philippe Le Houérou, the International Finance Corporation (IFC, the World Bank’s private sector lending arm) CEO, set out the direction for “IFC 3.0”; the third iteration of the institution’s approach in its 60-year history. Le Houérou said that the IFC will work “much more with the World Bank” in order to “engage with the public sector” and to be more proactive in “creating markets” in developing countries. He added that to accelerate investment in the poorest countries one must “create more space for [the] private sector.”

Scott Morris, of US-based think thank Center for Global Development (CGD), commented that “greater flows of private capital to developing countries and growing constraints on traditional donor aid have raised the stakes for the intermingling of public and private resources.” The IFC has been a strong supporter of this global trend, with an increasing portion of its investments going to financial intermediaries (FIs). In 2016, the IFC made over $5 billion in new commitments to FIs – bringing its total outstanding commitments to $20.4 billion – compared to $3.5 billion in 2011. This is 45 per cent of the IFC’s total spending compared to 29 per cent in 2011.

While pushing for more private finance and market creation, the pre-existing human rights concerns with the IFC remain unresolved. Civil Society Organisations (CSOs) and the IFC’s accountability mechanism, the Compliance Advisor Ombudsman (CAO), have identified concerns about the IFC’s investments in FIs in the past, with the main criticism remaining that the IFC is unable to determine their development impact and ensure its investments do no harm (see Observer Winter 2017, Spring 2016).

In March the CAO released a monitoring report of its 2013 audit of IFC’s investments in FIs (see Observer Winter 2015, Bulletin Nov 2014). The report found systemic non-compliance by the IFC with its policies and procedures across all stages of the investment process in a global sample of investments in FIs. The report stated that “the IFC does not, in general, have a basis to assess FI clients’ compliance with its E&S [environmental and social] requirements”.

According to the CAO, this is a “particular concern” with high E&S risk projects “where the IFC does not have assurance” that its performance standards are being implemented. As “systemic changes” are required, CAO stated that it will keep its monitoring process open, and expects to carry out its next FI monitoring exercise in 2019. IFC responded that the “IFC disagrees with many of the observations in the report”, concluding that the report does “not give an accurate view of IFC’s performance regarding its broader FI portfolio.”

The CAO report findings were supported by a March report by US-based NGO Inclusive Development International (IDI), which found that the IFC is channelling money to harmful and high-risk projects in Southeast Asia through FIs (see Observer Winter 2017, Winter 2015). David Pred of IDI commented “Looking at actual projects funded by IFC’s
intermediaries in Southeast Asia, we see no evidence that IFC’s standards are being respected. This is the bulk of IFC’s business, and it’s out of control.” While IFC clients are required to apply the performance standards to their investments, according to IDI there is little evidence that this is happening. Christian Donaldson of NGO Oxfam told news site Devex that Le Houérou could show his commitment to improving development outcomes by overhauling IFC investments in financial intermediaries: “The new CEO needs to look at how IFC manages this internally and start making mandatory requirements for staff to implement the performance standards.”

Affected communities appeal against IFC’s immunity

In April 2015 EarthRights International (ERI), an international NGO, filed a lawsuit in US federal court against the IFC on behalf of farmers in the Bajo Aguán region in Honduras, “charging two World Bank Group members with aiding and abetting gross violations of human rights.” The suit arises out of the financial support the IFC and its subsidiary, IFC Asset Management Corporation (IFC-AMC), have provided to Dinant, a Honduran agribusiness operation with palm plantations in Bajo Aguán, which the suit alleges is “at the center of a decades-long and bloody land-grabbing campaign in the Bajo Aguán region”. The plaintiffs in the suit are “among the scores of farmers … who have been shot, killed, and terrorised by Dinant and security forces working on its behalf.” The suit claims that the IFC and IFC-AMC “knowingly financed Dinant’s campaign of terror and dispossession against Honduran farmers” (see Observer Winter 2014, Bulletin Dec 2013).

The Honduras case adds IFC-AMC, as a co-defendant, which the complainants argue does not have the same immunity as the IFC. Jessica Evans, of NGO Human Rights Watch, commented: “The IFC’s immunity puts communities harmed by its investments at the IFC’s whim. It allows the IFC to violate its own rules with impunity. No institution should have immunity when it causes, contributes to or exacerbates human rights abuses.” The outcome of both lawsuits depends on the success of the challenge to IFC’s claim of immunity.

CSOs refuse to participate in World Bank PPP consultation

In February, 115 civil society organisations (CSOs) from around the globe, including Colombia’s Instituto Popular de Capacitación and Kenya Debt Relief Network, sent a letter to the World Bank executive directors and its public-private partnerships (PPP) team stressing that they will not participate in its consultation on PPP contractual provisions until the Bank meets a series of demands.

The demands included that the Bank advises countries to “only consider PPPs if their full costs and contingent liabilities are reported on-balance sheet and registered as government debt” and only after a full and transparent analysis has been conducted “of the true costs and benefits of PPPs over the lifetime of the project”. The letter called on the Bank to only fund PPP projects if “the partner country decides to register the costs and liabilities on-balance sheet.” The letter also stressed that, as outlined in 2015 research by Belgian-based NGO network Eurodad, “many countries go for PPPs instead of traditional procurement not because of efficiency gains, but because non-transparent accounting measures allow them to keep the costs and contingent liabilities ‘off-balance sheet’, keeping the true costs of the projects hidden”. CSOs have long made their concerns about the potential dangers of PPPs clear to the World Bank (see Observer Summer 2016, Autumn 2015).

IMF cautions about PPPs

In December 2016, IMF deputy managing director Tao Zhang cautioned that while PPPs are “very appealing” when “fiscal space is limited”, they present considerable risks, including that “they can be costly and reduce budget flexibility in the long term. For example, governments have to make annual payments after the infrastructure is delivered ... and there are further risks if governments use PPPs to move debt off their balance sheets and create future liabilities.”

In March Gerd Schwartz, deputy director at the IMF’s Institute for Capacity Development, told news magazine Public Finance International that “PPPs … require very strong public governance institutions.” Echoing concerns often raised by civil society, he stressed that fostering private sector development in Africa means that “you create a lot more contingent liabilities. And if you don’t build up public sector institutions to deal with this, you’re going to be in trouble in a few years’ time” (see Observer Spring 2016). Schwartz therefore “urged countries, and donor governments, to take into account the risks involved” with PPPs.
The IMF returns to Zambia: How will gender and income inequality be addressed?
by Kryticous Nshindano, Civil Society for Poverty Reduction (CSPR), Zambia

Zambia has once again found itself in an economic and financial crisis that has necessitated the country to request assistance from the IMF, as it did in 1999, 2004 and 2008 (see Update 41, 39, 16). The country is struggling to reduce a fiscal deficit of nine per cent of GDP and growing public debt of 56 per cent of GDP, amidst dropping copper prices, Zambia’s major export. This has been accompanied by a depreciating currency, leading to a spike in the cost of living, in a country with over 54 per cent of the population living in poverty.

Will IMF conditionality undermine gender and income inequality?
In his address to Parliament in October 2016 on the state of the economy and economic recovery programme to be supported by the IMF, finance minister Felix C. Mutati indicated that the government of Zambia needs to undertake measures that will restore fiscal fitness and overall macroeconomic stability for higher inclusive growth and development. Noting the possible adverse effects of the governments’ stabilisation reforms, Mutati proposed measures, such as increased budgetary allocations to social protection programmes to cushion the vulnerable. In response, the Fund reiterated in public forums and meetings with civil society representatives that it is now anchoring its interventions or involvement to a new approach in assisting developing countries to overcome economic and financial crises. At the centre of this approach is a strong focus on the imperatives of “gender and income inequalities.” According to recent work by the Fund, addressing inequalities in gender and income is a pre-requisite for the achievement of sustainable solutions to development challenges (see Observer Summer 2016, Spring 2016), but in a February blog post the Fund acknowledged that the implementation of its recommended measures in crisis situations can run counter to these goals (see page 8).

Zambian civil society challenges IMF and the government
Zambian civil society is questioning to what extent the IMF package will effectively and efficiently address gender and income inequality in Zambia. Apart from the IMF’s apparent acceptance that measures in crisis situations can contradict inclusive growth objectives (see page 8), the Fund should also acknowledge that those groups most affected by austerity policies are the same Zambians that have long been the greatest victims of gender and income inequality. Therefore, the possible implications of the loan programme must be considered as much from a pro-poor perspective as in relation to economic growth objectives. Perhaps more importantly it is necessary to ensure that the quest for macroeconomic stability does not harm or worsen gender and income inequalities.

A coalition of five Zambian-based civil society organisations (CSOs), including CSPR, established to engage with the government on the pending IMF package. They demanded in a submission to the Zambian government that any IMF loan programme should ensure well-targeted social protection interventions, as well as investments in social sectors and prudent execution of public expenditures, particularly towards pro-poor sectors such as health and education. These sectors still remain the most appropriate equalisers of gender and income inequality in Zambia.

There is a need for the government of Zambia, the Fund and all interested stakeholders to develop the most appropriate set and mix of instruments, i.e. the combination of macro-economic policies and micro-economic social policies for ensuring that austerity measures do not worsen gender and income inequalities, as has been experienced in past IMF interventions (see Update 54), but instead contribute to their reduction.

Both the Zambian government and the Fund have tilted towards using social protection and specifically targeted social cash transfers to cushion the vulnerable from the impact of spending cuts. However, poverty reduction is not all about ‘social protection’. Tackling the nature of poverty in Zambia cannot be accomplished solely through such approaches, especially in view of the narrow reach of the interventions. For example, currently the government’s three main social safeguard interventions, i.e. Public Welfare Assistance Scheme, Food Security Pack and Social Cash Transfers only cover 11 per cent of the 40.8 per cent citizens living in absolute poverty and eligible for protection.

The government of Zambia must immediately prioritise negotiating a more meaningful approach to addressing poverty under the agreement with the Fund. Targets, such as reducing income and gender inequality, and promoting wealth redistribution through effective social revenue and expenditure mechanisms (such as taxation, social protection, public services, citizens’ empowerment, land reforms and deliberate economic empowerment programmes) for vulnerable segments of the population, will be critical pursuits during the reform period. Civil society are concerned that any departure from the proposed approach to reforms will inevitably worsen income and gender inequality, contradicting the Fund’s claim to adopting a new approach to social issues.

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Women at market in Zambia
Concerns over World Bank’s WDR 18 on education

In January the World Bank released a concept note of the 2018 World Development Report (WDR), which will be the first WDR focused on education. According to the concept note, the report will aim to “provide guidance on how to expand the scope and quality of education around the world” and will focus “on learning outcomes and skills for life and work, and provide guidance on how education systems can be reformed to deliver them.” The report will address four areas: (i) the promise of education, focusing on “better policies and delivery—both within and outside the education system”; (ii) the learning crisis, “promoting universal learning and skills”; (iii) effective interventions to build learning; and (iv) learning at scale, with “careful attention to the technical, political, and social challenges of aligning an education system toward delivering relevant learning and skills.” The 2018 WDR report is expected to be launched in late 2017, most likely after the Bank and Fund’s annual meetings in October.

Whilst international NGOs ActionAid and the Right to Education Project expressed support for the World Bank making the case for education as key for development and the achievement of all the Sustainable Development Goals (SDGs), David Archer of ActionAid expressed concerns over the report’s initial framing: “it appears the report will have a pre-emptive narrow approach, which focuses on learning outcomes to the exclusion of other issues, such as the continuing challenges of access and equity”. He also noted that “the report outline fails to address the need for increased domestic and international financing”. Anjela Taneja, of Global Campaign for Education commented: “in this concept note the Bank breaks away from the well negotiated consensus established as part of the SDG negotiation process, in terms of what really matters in education, bringing the focus back on the narrowly defined learning crisis.” In March the World Bank held a three week E-Forum consultation for the report and the WDR team will accept inputs via email at world_dev_report@worldbank.org. However, CSOs have raised concerns about the effectiveness of the consultation process, given that “it is not clear what is being taken on board since the outcomes of the consultations are not documented anywhere in the public domain yet, meaning we do not really know what the Bank is taking away from any of the discussions”, according to Taneja. CSOs also worry that the report will draw from a narrow evidence base and are concerned about the lack of transparency around the consultation process.

IMF lending freeze “pushing Tunisia to the brink”

In February it emerged that the IMF had frozen payment on its $2.8 billion four-year Extended Fund Facility loan programme to Tunisia approved in June 2016. The frozen payment of $350 million was the second tranche of the programme. Tunisia finance minister Lamia Zribi confirmed to news agency Reuters in late February that “The IMF postponed the payment ... because of lack of progress in reforms, including public sector wage bill and public finances”.

The IMF announced the loan in June saying it sought to support the Tunisian “government’s economic vision of more inclusive growth”. In a late February statement following an official visit to Tunisia, the UN Independent Expert on foreign debt and human rights, Juan Pablo Bohoslavsky, noted that “social inclusive growth was absent in economic reform policies supported by the international financial institutions [IFIs]” (see page 8). Bohoslavsky advocated that the IFIs and the Tunisian government “should make economic and social rights a priority”. According to news site Africanews.com prime ministerial economic adviser, Ridha Saidi, confirmed in March that the IMF was especially concerned with lack of reforms to wages and the retirement age. Tunisia is proposing to cut up to 20,000 public sector jobs, sell stakes in commercial banks and increase tax levels in order to re-start the loan by April, according to Saidi.

The freeze was described as “pushing Tunisia to the brink” in an early March statement by Sharan Burrow of the International Trade Union Confederation (ITUC). Burrow added that the IMF risked derailing Tunisia’s post-revolutionary democracy, adding that “ideological diktats like this from the IMF will throw thousands into poverty, and destroy the progress that has been made”. Jihen Chandoul of NGO Tunisian Observatory of the Economy (OTE), stated that “this is blackmail by the IMF, pushing the government to privatise public banks and enterprises and implement reforms that will deepen inequalities. These reforms are in complete conflict with the objectives of the revolution. IMF agreements and all reforms packages linked to them should be subject to the democratic process of voting at the Tunisian parliament. The government should resist IMF pressure and begin negotiations for an exit from the IMF loan”. 
IFC investments in basic education: marginalising the poorest

Guest analysis by Milagros Lechleiter, RESULTS Educational Fund

Despite the World Bank’s commitment to promote free primary education, the International Finance Corporation (IFC, the World Bank’s private sector arm) approved $162 million in investments for the expansion of fee-charging, for-profit primary and secondary schools worldwide from 2011 to 2015. The IFC stated that investment in fee-charging private education is a mechanism for poverty alleviation, and its 2014-2016 strategy paper proclaims that investment in private education complements public education systems. Recent evidence from NGOs, such as the Global Campaign for Education, however, show the contrary: fee-charging, for-profit private schools exacerbate discriminatory access to education and undermine the World Bank goals of reducing extreme poverty and increasing shared prosperity.

A March report by US-based NGO RESULTS Educational Fund investigated whether IFC investments in basic education target, reach and benefit the poor. Its methodology consisted of a portfolio review of all IFC investments in pre-primary, primary and secondary education (K-12) from 1996 to 2015, and included field visits to IFC-approved projects in South Africa, Uganda and Kenya. The research found that from 2011 to 2015, 53 per cent of IFC investments in education were in K-12, and favoured fee-charging private, commercial school chains that target lower income groups. IFC investments in school chains have quadrupled since 2011. The increased targeting of low-income groups aligns with the IFC’s growing focus since 2001 towards investments that reach the bottom of the pyramid. However, despite targeting the poor, the IFC-funded schools analysed struggled to reach or benefit them.

The research found that the IFC-funded schools investigated were located in close proximity to other public or private schools, suggesting that their location had been determined by market viability and not by the needs of marginalised communities, who tend to live in more isolated areas. Most children in the IFC-funded for-profit schools were not previously out of school and only 3-6 per cent of children received partial or full scholarships. Although fees in both public and private schools were the main barrier for the poor to access and remain enrolled in basic education, for-profit private schools visited denied access to children who fail to pay fees, with parents often foregoing meals and taking out loans to pay. A spokesperson for a local NGO in one of the countries visited commented “it is a concern that brings in a human rights issue because you are trading and profiting from the poor”. In contrast, fees charged by public schools are not set by the government but by the school’s board to compensate for insufficient government funding. In the public schools studied, children are not turned away due to non-payment of fees. A government official from a country visited commented: “The increasing commercialisation of education is hindering access”.

RESULTS found that not all private for-profit fee-charging school providers are the same in this regard. A local researcher from one of the countries visited commented that community or church-based schools have “very low cost”, noting “That is why you find the poorest going there. But the ones that are purely for profit, their cost is slightly higher. You will find the least of the poor ... attending there.” Schools leaning towards the commercial end – most IFC-funded schools – seek to make revenue on a large scale to ensure financial sustainability. Some of these schools keep their costs down by avoiding regulations and employing teachers who are not qualified by the government. This evasion of national guidelines has led to court cases against an IFC-funded for-profit low-fee provider and the closing of schools in both Uganda and Kenya (see Observer Autumn 2016, Summer 2016).

How to reach the poor through education financing

If the IFC’s aim is to support the most marginalised children through private initiatives, their K-12 investments should focus on funding education services that enhance free public education and are complementary of national systems rather than in direct provision of private education. RESULTS research found that complementary services, such as production of learning materials, building of school facilities, and student transport, among others, have a significant impact on access to and quality of education received by the poorest children. A government official from a country visited commented that “The biggest anomaly is that [fee-charging private schools] are charging fees when the government wants free education ... how are they complementary?” To further ensure the poor are benefiting from IFC investments in education, the IFC should continue to invest in countries where the International Development Association (IDA, the Bank’s low income country arm) is providing funding to public education. The presence of both IFC and IDA will help guarantee complementarity between the public and private systems for education provision.

by Milagros Lechleiter, RESULTS Educational Fund

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How will the World Bank reform after its disastrous Uganda transport project?

Guest analysis by Elana Berger, Bank Information Center

In late 2015, the World Bank announced that they were cancelling the Uganda Transport Sector Development Project (UTSDP), stating that “an early review of the World Bank-financed project found inadequacies in Bank supervision and lack of follow-through after serious issues were identified ... Management acknowledges that supervision has been insufficient.” The cancellation followed a preliminary investigation into concerns raised by the community concerning the sexual exploitation of young girls by project construction workers.

The World Bank approved a $190 million loan to the government of Uganda for UTSDP in 2009; an additional $75 million was approved in 2011. The project aimed to boost economic activity through better access to markets, social and health services, and employment by upgrading 66.2 km of gravel road. While the project had some positive effects, it was plagued by a number of issues such as sexual assault by project workers against school-girls, unintended pregnancies, and an increase in women contracting HIV/AIDS.

Those affected first reached out to the Bank’s Uganda country office in December 2014. Bank management dismissed the concerns and suggested that civil society only raised these issues in order to influence the safeguards review process. The Bank’s attempts to ‘investigate’ consisted of large community meetings in which attendees were reportedly asked publically if “anyone here has been raped”. When no affirmative responses were forthcoming, the Bank denied that sexual exploitation was occurring.

Nine months after the community first raised concerns to the World Bank country office, the most serious issues remained unaddressed, leading to a September 2015 request to the Inspection Panel (IPN, the World Bank’s accountability mechanism) to conduct an investigation. Within a month, the Bank suspended financing for the project and ultimately cancelled it in December 2015, stating that “the multiple failures we’ve seen in this project ... are unacceptable”. The cancellation was met by community disappointment, as the Bank’s withdrawal could make it more difficult for the Ugandan government continued with the project using its own funds.

In the aftermath of the cancellation, the Bank instituted remediation measures to address the problems created by UTSDP, including support for affected girls and their families. However, this support was sporadic, with an absence of a comprehensive or systematic method for instituting and monitoring Bank support. In August 2016 the Bank suspended all new lending to the government of Uganda due to “outstanding performance issues in the portfolio, including delays in project effectiveness, weaknesses in safeguards monitoring and enforcement, and low disbursement.”

The IPN carried out a full investigation into the project and published a report in August 2016, which substantiated the allegations made by the community. Management’s failure to address the complaints was also deemed to be in violation of Bank policy. The report chastised the Bank for its initial failure to respond and somberly noted that “social change triggered by the project is a reminder that building a road is never just about land acquisition, monetary compensation, and construction. It is also about coping with difficult, social, structural changes.”

In response to the IPN report, the Bank produced an Action Plan, approved in November 2016, detailing steps to remedy the violations of policy. One measure that was immediately instituted was the creation of a Gender-Based Violence Task Force that has potential to create meaningful change, however, there is still uncertainty as to whether there will be sufficient monitoring mechanisms to ensure implementation and maintenance of the Task Force’s recommendations. Additionally, the Bank produced a document on lessons learned, which details in depth the institutional failures that caused irreparable harm to Ugandan community members, while also including plans on how to avoid these types of failures in the future. These are significant positive steps but it remains to be seen whether the Bank’s promise to undertake “systemic institutional changes in how we respond to violations of our safeguard policies” as a result of this case will be implemented effectively.

by Elana Berger, Bank Information Center

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Uganda road project workers
World Bank policy lending undermines climate goals

BIC’s report looked at the Bank’s DPF measures in Egypt, Indonesia, Mozambique and Peru. It found that DPF introduced subsidies for coal in all countries, apart from Peru. For example, the report argued that Bank-supported subsidies for coal infrastructure have helped Indonesia become one of the world’s top coal exporters. It found some DPF support for renewable energy, but argued that the Bank could do more. For example, while Peru’s DPF provides subsidies to public-private partnerships to develop oil and gas infrastructure, it does not include plans for solar or wind power projects.

A late January report by US-based NGO Bank Information Center (BIC), together with partners in Egypt, Indonesia, Mozambique and Peru, claimed that the World Bank is undermining its climate commitments by supporting investment incentives for coal, gas and oil projects through its development policy financing (DPF) mechanism. DPF accounts for approximately a third of all Bank funding and provides resources for programmes of policy and institutional reforms that are agreed by the Bank and the borrowing government (see Update 82). The report argued that the Bank’s financing through DPF contradicts the internationally agreed goal of limiting the global average temperature increase to 2°C.

Peru CSOs demand World Bank accountability

In January, 52 Peruvian civil society organisations (CSOs) published an open letter to the World Bank expressing concerns about the development of the Bank’s 2017-21 Peru Country Partnership Framework (CPF), as well as the Bank’s relationship with Peru. According to the letter, the “economic policy conditionality of the loans offered by the [World Bank Group] ... has allowed [countries] to impose structural reforms” and austerity policies, both in Peru and elsewhere, which have “prioritised the interests of the market over that of the people” and caused exclusion and inequality.

The letter demanded a more transparent CPF process, including a call for the Bank to “be accountable at all times to the citizens of its operations” and that consultations should be broad and include indigenous peoples.

Indonesian CSOs demand Bank stop funding infrastructure funds

In early March 47 civil society organisations, including ELSAM, ILRC, Walhi and Ulu Foundation, sent a letter to World Bank president Jim Yong Kim and the International Finance Corporation (IFC, the World Bank’s private sector arm) CEO Philippe Le Houérou asking that the Bank’s board withhold funding from the Indonesian Regional Infrastructure Development Fund (RIDF) and PT Indonesia Infrastructure Finance (IFF). Despite the letter’s documentation of numerous substantive violations and complaints about RIDF and IFF non-compliance with the World Bank’s environmental and social safeguards, the World Bank board approved $100 million for RIDF and $200 million in support for IFF in March.

Who pays for the Fund and the Bank?

The World Bank and IMF are owned by the governments of its member countries. Member states’ contributions make up a primary source of funding for both the IMF and the World Bank. Both institutions also draw income from their lending operations and from their investments in financial markets.

This Inside the Institutions looks at the funds available to the IMF and the World Bank. In addition to reviewing the origins of IBRD and IFC resources, it also provides an overview of the most recent changes in the IMF and IDA’s funding streams and mechanisms. In particular, it notes the 2016 long-delayed revision of the IMF’s quota system and the controversial 2016 IDA replenishment round (IDA 18).

For the full article, see:
IMF and World Bank labour policies criticised by UN expert

UN report exposes detrimental rights impacts of Fund and Bank policies

Claims IMF’s “conventional wisdom” on reduced labour rights protection is flawed

In December 2016, the UN independent expert on foreign debt, Juan Pablo Bohoslavsky, released a report on labour rights in the context of economic reform and austerity for the UN Human Rights Council, strongly criticising labour-related policies of the World Bank and IMF.

The report laid out the significant role the World Bank and in particular the IMF have played in pushing for labour-related austerity policies through lending and surveillance, noting that “around 50 per cent of all IMF lending programmes have involved one or more labour-related conditions from 1994 to 2007” and “between 25 to 40 per cent from 2007 to 2014.” It went on to note that when faced with financial and economic crises, the IMF’s dominant approach towards labour reform has been deregulation, which erodes labour rights. Even after the IMF changed its rhetoric towards social inclusion and protection of the poor in the aftermath of the 2008 financial crisis, the report found that it still promotes policies favouring labour market deregulation.

The report described the multiple impacts these austerity-related labour reforms have had on human rights, such as the retrogression of work-related gender equality; weakening of worker’s protections; undermining collective labour rights; and contributing to an increase in inequality and insecure and informal employment. It stressed that these reforms can foster discrimination in the labour market against marginalised social groups and reduce unemployment benefits and other job-related social protections, in contravention of international human rights obligations (see Observer Summer 2015).

Additionally, the report challenged the “conventional wisdom” that reducing labour protections results in increased decent employment or economic growth, claiming that there is insufficient empirical evidence to prove this. Rather, it argued that “sometimes it appears that debt crises ... provided a pretext to push through labour market reforms favouring business interests rather than addressing economic problems. It is therefore not surprising that debt crises frequently exacerbate economic inequality.” Peter Bakvis, of the International Trade Union Confederation (ITUC) commented “When you think of the IMF’s current anti-inequality rhetoric, it is rather astounding to read about the Fund’s long history, which has not yet ended, of advocating policies that plainly worsen income inequality.”

The report concluded with several recommendations to international financial institutions (IFIs), such as that they should “include in their policy documents an explicit commitment to respect human rights, including labour rights” and “develop policies to deal effectively with alleged violations of labour rights in the macroeconomic reform programmes and projects that they finance”. Bakvis added: “the report does a very thorough job not only in exposing the damaging impact of measures supported by the IMF in particular to reduce workers’ living standards and erode their rights, but also in demonstrating that evidence does not support the reigning assumption at the Fund that workers’ rights are detrimental to economic development.”

IMF and debt restructuring: just talk?

In March, the Bretton Woods Project published a guest analysis on the IMF’s approach to debt restructuring by Tim Jones of UK-based NGO Jubilee Debt Campaign. It stresses that while a recent IMF blog acknowledged that partial cancellation of debts can be justified when debt reaches an unsustainable level, it does not challenge longstanding logic and narrow economic justifications for the IMF’s approach to judging sustainability. Civil society continues to demand a human-rights based approach that considers who bears the burden of debt repayment.

For the full article, see: tinyurl.com/IMFjusttalk