BRETTON WOODS project

BRETTON WOODS
observer
A quarterly critical review of developments at the World Bank and IMF

ACCOUNTABILITY analysis

World Bank board oversight mechanisms derailed

In this issue

Multiphase Programmatic Approach delegates some executive board oversight

Civil society consultation on proposal extremely rushed and limited

Approach at odds with need for increased board engagement and due diligence

On 18 July the World Bank's Operations Policy and Country Services department (OPCS) released a document titled *Multiphase Programmatic Approach* (MPA) proposing to delegate some executive board project reviews and approvals, and therefore its oversight functions, to management. In line with the strategy set forth in the Bank's *Forward Look* document, and its focus on a more agile Bank, the MPA set forth a series of important changes in Bank procedures. It proposed that the Bank follow the Inter-American Development and Asian Development Banks in allowing management to "request board approval ... for [an] entire Program", consisting of multiple phases, each containing diverse projects. This implies a significant change as the board is currently required to review and approve each individual project.

Having been made aware at the last minute of an executive board meeting scheduled for 11 July to approve the document, civil society organisations (CSOs) were highly critical of the lack of consultation on the proposal. On 5 July, 29 CSOs, including the South African Centre for Applied Legal Studies and Brazilian Conectas Direitos Humanos, submitted a letter to the board outlining serious concerns with the MPA, underscoring that, "given the implications for oversight and accountability, it is imperative that the parameters of this proposal are subject to public scrutiny before going forward". The letter stressed that "the board provides an important oversight function of projects and the board approval date is a key moment in the lifecycle of the project". The absence of board approval for individual projects in subsequent phases would therefore deprive CSOs, affected communities and other stakeholders of an important avenue to bring concerns to the board and to challenge management on its assessment of project risks, adverse consequences and projected development outcomes. The letter also noted that CSOs "are surprised to see a reduction in board oversight at a moment when the Bank has not yet tested the adaptive risk management approach under the new Environmental and Social Framework (ESF), and is just rolling out its cascade approach" (see *Observer* Summer 2017).

The letter further argued that, while CSOs understood that high risk projects would still require board approval under the proposed system, substantial risk projects should also go to the board, as should Financial Intermediary (FI) projects with any Category A or B subprojects. This recommendation drew on the work of the Inspection Panel (IPN, the Bank's independent complaint mechanism) with B-rated projects, and the revelations of the World Bank's Independent Evaluation Group (IEG) 2010 report on safeguards about the misclassification of projects and continued documented negative impacts of investments in FIs (see *Observer* Spring 2016). Regarding changes to the project classification system, the letter recommended that when the new ESF goes into effect, both high and substantial risk projects and FI projects with high and substantial risk subprojects go to the board.

Management justified the proposed changes in terms of efficiency, and benefits in supporting the Bank's cascade approach. Civil society argued in a July 2016 letter on the Bank's new ESF, however, that much of the impetus for the proposed "increase in agility" and resulting weakening of due diligence lies in the Bank's perceived loss of leverage with its clients. This results from competition from the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank, and the increasing availability of other sources of financing. The consequence of this sense of competition was highlighted in December 2014 by 28 UN human rights experts who noted that the Bank's new ESF reflected a "race to the bottom" (see *Observer* Autumn 2016, Winter 2015). The pressure on the Bank to retain its relevance is also evidenced by its push for the use of borrower systems and increasing emphasis on leveraging private sector investment through public-private partnerships (PPPs) and investments in FIs. The trend is further reflected in the Bank's unwillingness to include Development Policy Loans in its new ESF. Throughout the much-curtailed discussions with the Bank, CSOs have questioned the time savings and efficiency gains claimed by the proposal and have seen a shift in the Bank's rationale to a focus on "adaptive learning" and empowerment of staff and management.

As a result of the 5 July letter, the Bank agreed to postpone the executive board discussion and several CSOs were invited to a meeting with the incoming and outgoing vice-president of the Bank's OPCS department to discuss the proposal. Responding to the outcomes of the meeting, on 12 July, a number of CSOs sent the two vice-presidents an additional letter detailing their continued concerns. According to Jolie Schwarz from US NGO Bank Information Center, the letter "aimed at ensuring there are still checks and balances within a proposal that is characterized by unprecedented flexibility and delegation of approval authority." The 12 July letter demanded that subsequent phases of an MPA not requiring board approval have a defined and publicly disclosed management approval date, and that the IPN retains jurisdiction over entire MPA programmes rather than only individual phases. The final version of the MPA proposal was approved by the board on 18 July. While the final MPA document addressed some CSO concerns, they await the procedures that will guide its implementation. They hope that the consultation process will be significantly improved and that MPA will not result in diminished due diligence.

tinyurl.com/WB-derailed

ENVIRONMENT news

Flirting with disaster? World Bank's push for climate insurance questioned

The World Bank strengthens support for climate insurance schemes

Questions remain about effectiveness and incongruence with climate justice

In August, the World Bank announced a new sovereign catastrophe risk insurance programme in the Philippines, which provides $206 million worth of aggregate coverage for federal government assets from earthquakes and typhoons, as well as providing typhoon insurance for 25 provincial governments. The Bank noted, "Under this new program [the] government-owned insurance agency Government Service Insurance System (GSIS) will provide catastrophe risk insurance to the national government and the participating provinces." As an intermediary the Bank will act "to transfer GSIS's risk to a panel of international reinsurers". The Philippines suffers an estimated $3.5 billion in damages from typhoons and earthquakes annually, and the World Bank stressed that the new programme is, "the last line of defense against severe natural disasters and complements other funding sources." Pay-outs under the scheme are based on parametric triggers. A World Bank spokeswoman noted in an email to the Bretton Woods Project, "Because it relies on parametric triggers, pay-out as estimated by the catastrophe risk model may not perfectly match the actual damage," adding that the premium cost to the Philippines was $19.5 million for the one-year programme.

The programme marks one example of the Bank's promotion of climate insurance over the past decade, as part of a wider approach focused on leveraging private insurance and investor markets to increase 'pre-arranged' disaster risk financing. The Bank has provided technical assistance for the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Pacific Catastrophe Risk Insurance Company (PCRIF) – which are pooled insurance schemes providing coverage for government assets of island nations in both regions. In July, the Bank was announced as a partner in the UK-based Global Disaster Protection Centre, which will "provide neutral advice and design new, innovative financial tools – including insurance – that … deliver the most benefit for the poorest when disaster strikes".

Climate insurance: a just policy?

In a May 2016 ActionAid International blog, Jonathan Reeves raised concerns about disaster and climate insurance schemes, arguing that "we can't insure our way out of the climate change problem", as many risks are uninsurable, especially for the most vulnerable. Reeves noted that while insurance is portrayed as part of wider efforts to improve disaster risk reduction in developing countries, "implementation of the most critical parts of a holistic approach to risk reduction crawls along at a snail's pace, [while] the insurance train ploughs full steam ahead."

This has led to fears that climate insurance is being 'oversold'. For example, the Bank's Independent Evaluation Group (IEG) found in 2010 that the Bank's grant to Haiti that enabled it to join CCRIF had been "supply-driven in the sense that the insurance solution was the modality on offer when … a broader, demand-driven approach [seemed more appropriate]". A 2010 Christian Aid report added, "CCRIF does not appear to contribute to better disaster risk planning and is seen by communities … as a possible distraction from risk reduction as it diverts resources into a long-term facility."

Ultimately, such schemes raise questions about who should foot the bill for climate change. As Reeves' blog noted "Climate change is increasing the demand for and cost of insurance. Yet poor people and nations – those least responsible for climate change – are paying the vast majority of the premiums."

tinyurl.com/climate-insurance
tinyurl.com/ReevesAAblog

SOCIAL SERVICES commentary

Back to basics: How the World Bank can finally get education right

by Jefferson Berriel Pessi of Education International

The official launch of the World Bank's first World Development Report (WDR) dedicated to education, tentatively titled *Learning to Realize Education's Promise,* is imminent and there is great expectation among education sector activists and policy makers. NGOs have expressed their concern with the perceived "narrow approach" of the report (see *Observer* Spring 2017), which focuses on what the Bank calls the "learning crisis", forgetting that access and equity problems remain unresolved. While I share this view, my main concern is that the WDR 2018 will be a missed opportunity to reshape the education policy debate. The Bank claims its objective is to "get education right", and to achieve that it will take stock of its 55 years of engagement with the sector. But will the report reflect critically on the effectiveness of its policy advice? Is the Bank really willing to learn from experience and accept that, just as any other actor in the education field, it sometimes gets it wrong?

Regrettably, there are clear signs that this will not be the case. The Bank's stocktaking exercise seems more concerned with reinforcing ideology-based policy advice than with providing sound, evidence-based guidance. Check out the opinion polls the Bank has been running to inform the report. It is interested in whether you would "choose to attend the best private or public school in your hometown" or whether you agree "that trade unions are a binding constraint to reform". One can only wonder what kind of policy will be informed by such questions. One only needs to skim through a WDR background paper to find out teachers know next to nothing and are teaching "just over half the scheduled time". Clearly, for the Bank, teachers and their unions are to blame for the "learning crisis". For more evidence, see *The World Bank's doublespeak on teachers*, by Fontdevila and Verger.

The World Bank is today the world's largest provider of finance to the education sector. From a shy debut in 1962, with a $5 million credit line to build six schools in Tunisia, it dramatically expanded its operations, disbursing more than 2,300 education loans and grants to date. Surfing the "Education for All" wave since 2000, the Bank disbursed over $45 billion in 134 countries (see *Update* 49), and that figure does not include International Finance Corporation (IFC, the Bank's private sector arm) support for the private sector. Granted, taking stock of 55 years of loans, grants, research and policy advice is a herculean task and it is likely that many key documents that could further the Bank's thinking will be forgotten. There are two documents in particular that I do hope the WDR team will take into account, because there are key lessons to draw from them: the Bank's first education policy document, from 1963, and the 2005 *Economic growth in the 1990s: learning from a decade of reform* report.

The Bank's engagement with the education sector evolved from a simple school-building exercise to a complex and controversial policy advice operation of global reach. However, the 1963 memorandum by the Bank's fourth president, George David Woods, articulated a rather down-to-earth approach: the Bank should focus on providing the funding necessary for UNESCO to be effective. For Woods, the Bank should regard UNESCO as "our technical arm in the education sector". The Bank should focus on funding education policy, not developing it. Woods' advice was ignored: the Bank has become a prolific producer of policy, in clear competition with UNESCO.

The Bank's education policies have been extensively critiqued (see *Update* 86, *Bulletin* May 2014) and it is beyond the scope of this article to summarise years of scholarly efforts. For a thorough analysis, I would recommend Klees, Samoff and Stromquist's 2012 brilliant *World Bank and Education: Alternatives and Critiques*. Personally, having followed the Bank's work on education for nearly 20 years, reviewing projects and evaluating their impact in the field with teachers and their unions in over 50 countries, my fundamental concern is that the Bank's education team seems to ignore one of the key conclusions of the Bank's effort to learn from 1990s reform, that "there is no unique set of rules" for economic growth, just as there are no one-size-fits-all recipes for successful education reform. And yet, the Bank's flagship System Approach to Benchmarking Education Reform (SABER) programme provides ministries of education with standardised advice on, among other things, how to promote private education and make public sector education unions less influential in the process.

For the World Bank to finally get education right, it must accept that education policy is best developed at national level. Going back to basics, that is, focusing on funding policy rather than developing it, and learning from the 1990s that reform should be country-specific, is a good start.

Jefferson.Pessi@ei-ie.org
www.ei-ie.org
tinyurl.com/WDR-edu
tinyurl.com/WDR2018

Photo: Jefferson Pessi, Education International

Workshop by Education International in Bamako with 60 teachers reviewing the country's Bank-funded education reform.

RIGHTS news

IEO finds IMF follows "nebulous standard" on social protection engagement

IEO found Fund's approach 'not meshing well' with human rights approach

In July, the IMF's Independent Evaluation Office (IEO, see *Observer* Winter 2015) published its latest report, *The IMF and Social Protection*, on the IMF's policy advice on social protection. The report found the IMF's targeting approach did not "mesh well" with the universal human-rights based approach of UN agencies. The report noted that social protection had not been "an explicit part of the IMF's mandate", and that it had been outside its "traditional 'fiscal-centric' approach" and expertise. The report adopted a narrow definition of social protection, reviewing only policy instruments that provide cash or in-kind benefits to vulnerable individuals or households. This contrasts with the UN definition, which include long-term policies such as government spending on health and education.

According to Peter Bakvis of the International Trade Union Confederation (ITUC), the report did not assess the effectiveness of the Fund's approach and whether IMF programmes actually led to improved results in countries.

The IEO found that, while the type of policies the Fund endorsed were broadly coherent, mostly cutting subsidies and targeting social safety nets, the IMF's level of involvement varied significantly. The report found that "idiosyncratic factors" played a part, noting the Fund's involvement often came down to individual country staff's "expertise and interest". It recommended a revision and clarification of this "nebulous standard", including in the Fund's upcoming interim comprehensive surveillance review process.

Lacking inter-institutional collaboration

The IEO explored the collaboration between the IMF and other institutions and found that nearly 75 per cent of IMF staff surveyed reported "minimal to no interaction with UN agencies" and that the Fund's recent collaboration efforts were "not very successful". In a seemingly contradictory reaction to the report, IMF managing director, Christine Lagarde, said that "much of the collaboration with [these institutions] has been constructive". The main challenge to enhanced inter-institutional collaboration identified was the gap between the Fund's targeting approach to social protection and the UN's human rights-based universal approach. The IEO described this as a "difference in viewpoints". According to Bakvis, leaving the IMF as "the odd man out in its attitude to social protection".

In response to the IEO's recommendations, the IMF board agreed in July to establish a clear strategic framework to guide future Fund involvement on social protection, through a board-approved 'institutional view', the Fund's highest-level guidance document. Questions remain if this will set clear boundaries, outline when to defer to other organisations' expertise, and develop a consistent approach to what the Fund deems 'macro-critical'.

tinyurl.com/IEOspreport

SOCIAL SERVICES news

World Bank's cascade into education: Liberia's public-private partnership

Privatisation hinders 2030 agenda progress

Independent research of education PPP trial in Liberia finds unsustainable costs

A July global report *Reclaiming policies for the public* by the Civil Society Reflection Group on the 2030 Agenda for Sustainable Development concluded that "privatisation and corporate capture have become obstacles to progress under the 2030 Agenda", whilst finding "that public finance has to play a vital role in achieving the SDGs [Sustainable Development Goals]." It noted austerity policies make it impossible for most countries to "Leave no one behind". The Bank's April cascade approach focuses on "leveraging" private monies for the public good and foresees an increase of public private partnerships (PPPs) (see *Observer* Summer 2017). The recent trial in Liberia illustrates some of the potential pitfalls with this model.

In July, education minister George Werner declared the 'early successes' of its new education initiative, the Partnership Schools for Liberia (PSL), in which eight non-state operators manage 93 public primary schools (see *Observer* Summer 2016). However, an August report reviewing PSL by Education International, a Global Union Federation for teachers and education employees, concluded that "privatisation of the entire primary and pre-primary education system will expose Liberia's public education system to grave risks". A September evaluation report by the think tank Center for Global Development (CGD) found that the government assigned 37 per cent more teachers to PSL schools, including first pick of better-trained, new graduates. CGD found that performance varied across operators and that additional spending per child ranged from $40 at Omega Schools to $663 at Bridge International Academy (BIA), which critics say is unsustainable. The study also found that "contracts authorized the largest operator [BIA] to push excess pupils and under-performing teachers into other government schools". David Archer of ActionAid UK said to *Devex* that there are serious questions "about the sustainability owing to the high costs". Anderson Miamen, from COTAE, the Liberian Coalition on Transparency and Accountability in Education urged "the Liberian Government to abandon the PSL program". In early August, 174 organisations worldwide called on investors, including the International Finance Corporation (IFC, the Bank's private sector arm) to cease support to BIA, which is currently in court for failing to meet national education standards in Kenya and Uganda. Following research by RESULTS Educational Fund which found that the IFC's investments in private education "marginalises" the poorest (see *Observer* Spring 2017), Milagros Lechleiter of RESULTS commented "the IFC should steer away from investing in for-profit, fee-charging, private schools targeting the poorest groups, as school fees perpetuate marginalization of the world's most vulnerable students and families".

tinyurl.com/eduPPP-WB

GENDER analysis

Will World Bank Global Gender-Based Violence Task Force recommendations have a discernible impact?

World Bank Global Gender-Based Violence Task Force releases recommendations

CSOs concerned over Task Force's short duration and limited mandate

Despite Action Plan, questions remain about Bank's approach to GBV

In August the World Bank's Global Gender-Based Violence (GBV) Task Force released its report *Working Together to Prevent Sexual Exploitation and Abuse: Recommendations for World Bank Investment Projects*. The Task Force was launched in October 2016, in reaction to the Inspection Panel's (IPN, the World Bank's accountability mechanism) August 2016 report on its investigation of the Uganda Transport Sector Development Project, which involved allegations of sexual misconduct and abuse of women and children by contractors (see *Observer* Spring 2017). The Task Force was mandated to recommend "specific steps to strengthen the World Bank's capacity to identify, mitigate, and prevent risk of sexual exploitation and abuse in Bank projects". Next is for Bank staff to develop an Action Plan to implement its recommendations, which is expected to be completed this autumn. Following the release of the report, questions remain about the Task Force's make-up, its focus, and whether its findings will have a discernible impact on the Bank's approach to GBV.

Concerns over process and mandate

The Task Force was established "to strengthen the institution's response in its projects on issues involving sexual exploitation and abuse". While the Task Force consisted of 'external experts', such as representatives from the Anglican Church, there were no women's rights groups represented or civil society organisations (CSOs) specialising in GBV in the context of development, while there were two current and one former Bank staff members. The mandate was limited to producing a report with recommendations and did not grant it the power to develop binding policies, and excluded Development Policy Lending (40 per cent of Bank's lending). Its timeline was restricted to nine months, offering limited opportunities for civil society engagement. Civil society raised further concerns about the possibility that the Task Force's report would not be made public until the Action Plan was complete, thus depriving stakeholders the opportunity to meaningfully engage in its development. The report was finally released after a concerted advocacy effort, including an August letter by 12 UK-based civil society organisations, such as Womankind Worldwide and London Mining Network, raising concerns to the Bank's UK executive director.

Bank as incidental convenor

The report only considered a narrow set of circumstances, focussing in particular on "area-based" infrastructure projects that bring a large influx of male workers to a particular area, as was the case in Uganda, without considering how other dimensions, such as project-related displacement, may relate to GBV. The report identified five key actors that need to interact and collaborate in order to prevent or mitigate against project-related risk of sexual exploitation and abuse (SEA), including the Bank, as a "responsible change agent". In doing so the report framed the World Bank as an almost incidental convener of relevant stakeholders to address GBV-related problems, rather than emphasising the legal and moral obligations of the Bank to prevent serious harm caused by its own projects. It stated that the Bank "has the obligation and the institutional strength to serve as the link which brings all the actors ... together to protect women and children from SEA".

The report recommended that senior management should "designate a senior-level champion" to "sustain attention to this work". It noted added that the Bank's relevant operational policies and practices should "be consolidated into a staff guidance note". The report also recommended that the "internal Independent Evaluation Group (IEG) conduct a review after four years to assess what is working and where gaps remain", and noted the need to link the evaluations to the "new Environmental and Social Framework [ESF] to protect people and the environment in the context of World Bank operations". Lastly, the report highlighted the need for adequate funding for the implementation of its recommendations, noting firstly that a "Dedicated one-time surge funds will be needed for training and knowledge development", and secondly, that the Bank should "establish a two-year, time-bound GBV Prevention and Mitigation Fund to supplement High-Risk projects, existing project preparation and supervision coefficients as needed". Elana Berger of NGO Bank Information Center commented that "if implemented the task force recommendations make progress in preventing the next Uganda but do not go far enough to address all sources of GBV and SEA risk related to World Bank projects".

The International Development Association (IDA, the Bank's low income country arm) replenishment document referenced the need to implement the Task Force's recommendations. While in its August press release the Bank stated it is "committed to implement the recommendations as applicable within operations in countries eligible for funding from [IDA]", the Task Force recommendations apply across all bank operations. Thus, civil society noted the lacking 'commitment' to implement the recommendations in non-IDA projects. Remarking on the report, Geeta Rao Gupta, co-chair of the task force and former Deputy Executive Director of Programs at UNICEF, stated that as is the case with the development process in which the World Bank engages, "addressing sexual exploitation and abuse and other forms of gender-based violence is complex and challenging". Nonetheless, the Bank should streamline GBV prevention as part of its 'do no harm' policies.

tinyurl.com/GGBVTaskForceWB

Photo: ©ECHO Edward Echwalu

Woman walks down a road in Arua district, northwestern Uganda

INFRASTRUCTURE analysis

Azerbaijani Laundromat to sully Bank's reputation?

Laundromat scandal raises new questions about World Bank's TANAP loans

CSOs concerned about human rights abuses in Turkey and Azerbaijan

CSOs say proposed pipeline out-of-step with Paris Agreement

According to a September report by the Organized Crime and Corruption Reporting Project (OCCRP), "From 2012 to 2014 … members of [Azerbaijan's] … ruling elite were using a secret slush fund to pay off European politicians, buy luxury goods, [and] launder money." The scandal, dubbed the Azerbaijani Laundromat, saw $2.9 billion transacted through a series of shell companies. Among the Azeri politicians implicated in the scandal is first deputy prime minister Yaqub Eyyubov, who according to OCCRP, has been tasked "with developing the oil-dependent country's oil and gas strategy" since 2009.

In December, the World Bank's board of directors approved two $400 million loans to Turkey and Azerbaijan, respectively, for construction of the Trans-Anatolian Pipeline (TANAP). TANAP will stretch across Turkey, accounting for more than half of the proposed Southern Gas Corridor (SGC), a mega-project that will convey natural gas from Azerbaijan's Caspian Sea region to Italy (see *Observer* Summer 2016). In December, the Bank's Multilateral Investment Guarantee Agency (MIGA, the World Bank's political risk insurance arm) also proposed a guarantee of up to $950 million for TANAP against the risk of the non-honouring of a sovereign financial obligation. This guarantee would provide potential de-risking for 'yet to be named' investors, and would help cover Azerbaijan's required contribution of $750 million towards the construction of TANAP.

Civil society raises concerns about TANAP

A letter from four CSOs, including Counter Balance and BankWatch, to UK newspaper *The Guardian* published on 6 September suggested that covert payments to European politicians uncovered by the Laundromat scandal may be linked to the SGC, calling it the "elephant in the room" that has been absent from media reports. The letter stated, "Azerbaijan is particularly keen to present a positive image in Europe because it needs significant European support for its flagship project – the Southern Gas Corridor – despite the regime's serial human rights abuses, systemic corruption and election rigging." Decisions on proposed loans from European multilateral banks for construction of the SGC are imminent. The European Bank of Reconstruction and Development (EBRD) board is to vote on a $1 billion loan for TANAP's construction on 18 October. The European Investment Bank (EIB) is due to consider a $2 billion loan for construction of the Trans-Adriatic Pipeline (TAP), the final leg of the SGC connecting TANAP to Italy via Greece and Albania, on 18 October, and is to vote on its proposed $500 million loan to TANAP by the end of the year.

Additionally, a 12 September letter from 25 CSOs, including Both ENDS and Crude Accountability, to the EIB noted, "In March this year, the Extractive Industry Transparency Initiative (EITI) suspended Azerbaijan's membership as a result of a crackdown on civil society organizations. This was followed by the Azeri government deciding to quit the EITI." Azerbaijan's withdrawal from EITI came despite the World Bank's board acknowledging in the chair's summary of the TANAP loan approval in December, "the need for continued dialogue with Azerbaijan on [EITI] and ensuring that efforts are made towards restoration of its membership."

CSOs have criticised multilateral development banks' support for TANAP, due to serious concerns about human rights violations and the negative environmental impact of the SGC project (see *Observer* Summer 2016). Xavier Sol from NGO Counter Balance said, "In addition to contributing to human rights violations in Azerbaijan and Turkey, NGOs have repeatedly highlighted that, in a post-Paris Agreement world, it is no time for public development banks to finance fossil fuel projects. In addition, this project – if completed – would do little to provide additional energy security to the European Union, and would be detrimental to the diversification of the Azeri economy."

tinyurl.com/Azblaundromat
tinyurl.com/occrp-report
tinyurl.com/CSOs-EIB-letter

Jon Sward joins BWP as Environment Project Manager

We are delighted to welcome Jon Sward as the Bretton Woods Project's (BWP) new Environment Project Manager. Jon will manage BWP's work on the environmental impacts of World Bank policies and projects. Jon completed a PhD in Migration Studies at the University of Sussex focussing on in-migration of tenant farmers, changing land tenure norms, and environmental vulnerability in Brong Ahafo Region, Ghana.

jsward@brettonwoodsproject.org

ACCOUNTABILITY news

Indian plaintiffs seek US Supreme Court review of IFC's "absolute immunity"

Indian communities harmed by the Tata Mundra coal-fired power plant financed by the International Finance Corporation (IFC, the World Bank's private sector arm) will take their case to the US Supreme Court, the highest court in the US On 26 September the US Court of Appeals for the District of Columbia Circuit ruled that it will not reconsider its immunity rule. The decision was taken in response to a July petition by communities represented by international NGO EarthRights International (ERI) asking the full US Court of Appeals for the DC Circuit to revisit a decision in their lawsuit against the IFC. In June the Court of Appeals ruled that the IFC is entitled to "absolute immunity" from suit in the US and could not be sued for its role in the coal plant that devastated communities in Gujarat, India (see Observer Spring 2017, Summer 2015). After one of the judges on the June panel wrote in a dissenting opinion and suggested the full court should reconsider them, the plaintiffs requested a rehearing "en banc". "This decision tells the world that the doors of justice are not open to the poor and marginalized when it comes to powerful institutions like IFC," said Gajendrasinh Jadeja, the head of Navinal Panchayat, a local village involved in the case, adding "But no one should be above the law."

tinyurl.com/IFC-immunity-court-rule
tinyurl.com/appeal-ERI

RIGHTS news

Labour in Greece: With friends like the IMF…

IMF approves new Stand-By Arrangement for Greece and calls for continued suspension of collective bargaining

IMF staff report notes "excessive reduction in wages" in Greece

In July, the IMF executive board approved in principle a $1.8 billion Stand-By Arrangement (SBA) for Greece expiring on 31 August 2018. The approval comes after acrimonious disagreements over the sustainability of Greece's debt with the other members of the Troika, the European Commission and the European Central Bank (see *Observer* Winter 2017). The Fund's participation in the next phase of the European Stability Mechanism's (ESM) €86 billion package paved the way for the disbursement of €8.5 billion by the ESM. The actual disbursement of the Fund's resources will depend on "specific and credible assurances" from Greece's European partners to ensure debt sustainability and on Greece's economic programme remaining on track.

The agreed package prevented Greece from defaulting on its maturing debt in July, but required Greece to "adopt tax and pensions reforms to cut spending by 2 per cent after 2018", when the programme ends. Peter Bakvis of the International Trade Union Confederation (ITUC) stressed that these reforms have been required "despite a July IMF staff report noting that the most recent pension cuts voted by the Greek parliament, at the insistence of the IMF and EU creditors, will result in average pensions falling by an additional 12 per cent, but some retirees will suffer declines of up to 18 per cent". The report also noted that thereafter pensions will be frozen until 2022.

"Excessive reduction in real wages"

While international media focused on the debates about debt sustainability and painted the Fund in a more positive light, civil society was concerned about the Fund's continued calls for additional weakening of labour rights. In announcing the SBA, IMF managing director Christine Lagarde noted that the Greek "authorities should reconsider their plans to reverse cornerstone collective-bargaining reforms after the end of the programme".

The reversal to which Lagarde refers relates to the suspension of sector-wide extensions of collective bargaining agreements in 2011, also under IMF pressure. Bakvis stressed that according to the IMF staff report, "this action along with some other labour market deregulation measures, such as a reduction in the minimum wage, caused 'an excessive reduction in real wages'" in Greece. Bakvis emphasised that "the report also acknowledges that 'too much of the burden [of structural reforms] has fallen on labour'". Considering the suspension of collective bargaining, he stressed that according to an ILO analysis "the *de facto* abolition of sector bargaining led to collective bargaining coverage falling from 70 per cent in 2007 to 10 per cent in 2015".

Impacts on inequality

The staff report failed to acknowledge the positive impact of collective bargaining in counter-acting low productivity and increased income inequality in Greece. The lack of consideration of the distributional and human rights impacts of the policies proposed by the Fund mirrors serious concerns raised by the UN independent expert on the effects of foreign debt, who underscored that IMF labour policies result in "retrogression of work-related gender equality; weakening of worker's protections; undermining collective labour rights; and [contribute] to an increase in inequality and insecure and informal employment" (see *Observer* Spring 2017).

The disparity between the Fund's rhetoric and policies on inequality was detailed in a February *Huffington Post* blog citing economists Alex Nunn and Paul White who noted that, in 11 countries surveyed since the latest IMF guidelines became effective, little more than "very passing references" to inequality were found. The blog added that "in every case, the IMF has continued to recommend fiscal discipline, and very few of the policies that could be used for reducing inequality have even been mentioned." The Fund's antagonism to labour rights seems to contravene its research, which has found that "labour income shares [globally] now are almost 4 percentage points lower than they were in 1970" and that, "as capital tends to be concentrated in the upper ends of the income distribution, falling labor income shares are likely to raise income inequality."

tinyurl.com/IMF-Gr-labour

ACCOUNTABILITY background

The World Bank and IMF Parliamentary Network

The Parliamentary Network on the World Bank and the IMF aims to create a mechanism through which parliamentarians worldwide can hold international financial institutions and their governments accountable for the development outcomes of initiatives financed with taxpayer's money.

This *Inside the Institutions* looks at how the network has facilitated interactions between members of parliament and the Bank and Fund since it was established in 2000. It explores the role of local and regional chapters, the 'Parliamentarians in the Field' programme and the 'Parliamentary Relations Team'. It also highlights the network's limitations in ensuring parliamentary oversight of Bank-funded projects.

tinyurl.com/IMFWB-ParlNW

RIGHTS news

CSOs await Guidance Notes for new Bank safeguards

Following the World Bank's approval of a new Environmental and Social Framework (ESF) in August 2016, civil society organisations (CSOs) continue to await their opportunity to provide input into Guidance Notes (GNs) detailing how the ESF will be implemented. CSOs were broadly dissatisfied with the ESF, arguing that the new safeguards contained vague language, diluted standards, were over-reliant on 'borrower systems', and lacked clear commitments to human rights (see *Observer* Autumn 2016). While CSOs were told throughout the four-year long ESF consultation process that their concerns would be addressed in the GNs, the Bank has seemed reluctant to share the draft GNs for consultation and input.

The timeline for the publication of the Tier 1 GNs, outlining implementation of the ten key standards of the ESF, remains unclear, with some indications that they could be published following the annual meetings in October.

tinyurl.com/ESF-BWP-story
tinyurl.com/ESF-guidelines

FINANCE news

IEG report finds Bank's tax work lacks equity focus

IEG finds Bank's tax work failed to consider equity considerations

Bank's domestic resource mobilisation work focused on creating an enabling environment for private sector

In February the World Bank's Independent Evaluation Group (IEG) published a report on lessons learned from the Bank's support for tax reforms. According to the report, one of the principal objectives of the Bank's work on tax was to improve the investment climate. The report found that, "with a few exceptions, reviewed DPOs [development policy operations] did not specifically address the efficiency and equity of tax systems." Covering $28.4 billion of projects from 2005 to 2015, the report noted that the large majority of support was provided through DPOs, which are used to support "a program of policy and institutional actions", with only 11 per cent comprising investment projects.

The report also found that during the period under review, the Bank "did not have a specific strategy for domestic resource mobilisation (DRM)", adding that DRM was seen as an element of "creating an enabling environment for private sector development". While this seems well-aligned with the Bank's explicit focus on leveraging private sector investment (see *Observer* Summer 2017), it is potentially at odds with the Bank's goal of 'increasing shared prosperity'. In contrast to the Bank's lack of focus on equity identified by report, in February, IMF research concluded that "high inequality imposes a direct economic cost, in addition to … capture of the political process by elites, and a decline in social cohesion". The Fund's 2017 *Programme of Work* noted that it "will examine key choices regarding tax and expenditure policies for addressing rising concerns about inequality" (see *Observer* Summer 2017).

The Committee on Economic, Social and Cultural Rights, the UN body responsible for ensuring compliance with economic, social and cultural rights, noted in August that, "Lowering the rates of corporate taxes with a sole view to attracting investors … undermines the ability of all states to mobilise resources domestically to realise … [human] rights", concluding that, "this practice is inconsistent with the duties of the states". The IEG's findings therefore raise questions about whether the Bank's focus on improving the investment climate may have resulted in tax policies that contribute to tax competition and contradict its obligations, and that of its shareholders and clients, under international human rights law.

As the IEG noted, DRM has become increasingly important in light of its "potential benefits for state-building … the fiscal impact of trade liberalisation [and] the financial and debt crisis in countries that provide development assistance". Goal 17 of the Sustainable Development Goals includes an indicator on improving DRM in developing countries by improving capacity for tax and revenue collection.

Given the significant impact of the Bank's DPOs, and echoing concerns raised by a 2015 IEG report, civil society has called for the World Bank to ensure that environmental and social safeguards, currently limited to project lending, are expanded to cover development policy lending, which now accounts for approximately 40 per cent of the Bank's lending.

tinyurl.com/IEG-WB-tax-report
tinyurl.com/iegDRMreport

For longer versions of *Observer* articles with additional links, see brettonwoodsproject.org/observer

Para la versión en español, visite: brettonwoodsproject.org/es/observador

Follow BWP's coverage of the World Bank and IMF annual meetings

World Bank and IMF governors will meet in Washington DC from 13-15 October. Key themes to be discussed include the Bank's efforts to streamline procedures, tackling climate change and inequalities, the consequences of efforts to leverage private sector investment and lack of global tax cooperation.

The Civil Society Policy Forum (CSPF) will take place from 9-13 October. The Bretton Woods Project (BWP) will provide notes from CSPF seminars, available on a dedicated page, as well as analysis of the communiqués and more. Attendees and those following events from afar are encouraged to check BWP's updates.

tinyurl.com/BWP-annuals-Dispatch
tinyurl.com/CSPF2017
tinyurl.com/annuals2017

CONDITIONALITY analysis

BWP edited volume on IMF's policy impacts on gender equality

In October, the Bretton Woods Project (BWP) published an edited volume on the impacts of commonly-prescribed IMF macroeconomic policies on women's rights and gender equality. The volume forms part of BWP's Gender Equality and Macroeconomics Project. It explores the impacts of the Fund's policy advice on tax, expenditure and labour market flexibilisation and demonstrates how these policies often undermine women's rights and gender equality, calling for the creation of a gender-just macroeconomic framework.

tinyurl.com/BWPCompendium
tinyurl.com/BWPGEMproject

BRETTON WOODS project
CRITICAL VOICES ON THE WORLD BANK AND IMF

Bretton Woods Project
33-39 Bowling Green Lane
London EC1R 0BJ
United Kingdom

+44 (0)20 3122 0610
info@brettonwoodsproject.org
www.brettonwoodsproject.org
@brettonwoodspr
facebook.com/BrettonWoodsProject

The *Observer* is available in print, on the web, and by email.

Subscriptions
www.brettonwoodsproject.org/subs

Spanish:
www.brettonwoodsproject.org/es/observador

ISSN 2053-7522

Design by Base Eleven and printed by RAP Spiderweb on recycled paper

The Bretton Woods Project is an ActionAid-hosted project, UK registered charity no. 274467, England and Wales charity no. 274467, Scottish charity no. SC045476. This publication is supported by a network of UK NGOs, the C.S. Mott Foundation, the William and Flora Hewlett Foundation and Rockefeller Brothers Fund.