SPRING 2018

BRETTON WOODS project

BRETTON WOODS
observer

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

ENVIRONMENT analysis

# As World Bank signals end of extraction finance, CSOs call for end to its other fossil fuel funding

## In this issue



**WBG announced it will end finance for 'upstream' oil and gas projects after 2019**

**Pledge includes exception for gas projects in low-income countries**

**Commitment does not apply to FI and DPL lending**

The end of 2017 brought a boost for climate advocates, with World Bank Group (WBG) President Jim Yong Kim announcing at December's One Planet Summit in Paris that the Bank will cease project lending for 'upstream' oil and gas projects after 2019. As the Bank clarified, "upstream is an industry term that refers to exploration of oil and natural gas fields, as well as drilling and operating wells to produce oil and natural gas." The Bank also announced at the summit that it "will be applying a shadow price on carbon in the economic analysis of all … projects in key high-emitting sectors." This followed the Bank's October 2017 commitment to begin tracking the carbon emissions of its project investments for the first time in 2018.

Alex Doukas from US-based NGO Oil Change International (OCI) hailed the importance of the upstream pledge in a December blog, noting "each dollar of World Bank finance currently going into oil and gas catalyzes many more, and … many projects that get World Bank finance would never go ahead without it. So, the finance that will shift away from oil and gas as a result of this announcement really matters, and will have an even larger effect than the numbers might suggest." OCI's *Shift the Subsidies* database showed that the Bank's upstream portfolio is significant, amounting to "an average of over $1 billion per year in exploration and production activity between 2014 and 2016." The upstream pledge marked an important victory for civil society organisations (CSOs) who have engaged in a decades-long push for the Bank to end its support for fossil fuels.

Despite the upstream pledge being a major step in the right direction, many challenges remain for the Bank to fully decarbonise its lending portfolio. Firstly, the pledge will not end the Bank's fossil fuel project lending. The upstream pledge included an exception for the Bank's direct lending to low-income International Development Association (IDA) countries, which allows the Bank to fund upstream gas projects if they are judged to have an energy access component and be part of a low-carbon transition strategy. This raises questions about how stringently this exception will be interpreted when it comes into force in 2020. Moreover, upstream lending is only about one-third of the Bank's fossil fuels portfolio, according to the OCI database. Finance for pipeline projects that bring upstream oil and gas to markets is not covered by the pledge, for example (see *Observer* Autumn 2017).

### Bank's indirect fossil finance continues

The upstream pledge also only applies to the Bank's project lending and does not extend to other parts of the Bank's portfolio, such as lending to financial intermediaries (FIs) and development policy loans (DPLs). This is significant, as the WBG is *de facto* funding a new generation of coal power plants and other fossil fuel projects via support for FIs, as documented by CSOs in Bangladesh, India, and the Philippines (see *Observer*

Winter 2017-2018). To close loopholes that allow funding of fossil fuels via the back door, CSOs have advocated that the Bank publicly disclose and track its indirect financing, and include an exclusion list on fossil fuel projects in its indirect lending portfolio. CSOs have also argued that the Bank is 'propping up' fossil fuels through its DPLs, which provide fungible direct budget support to national governments. A January 2017 report from Netherlands-based CSO Bank Information Center Europe highlighted that in Peru, Indonesia, Egypt and Mozambique, DPLs have created incentives for coal, oil and gas investments, as part of the 'prior actions' (i.e. regulatory changes) required for countries to secure these loans (see *Observer* Spring 2017). CSOs argue the Bank needs to adopt a safeguard for DPLs that, *inter alia*, prohibits prior actions that promote fossil fuels.

**The World Bank's 'dirty' guarantees**

Research by UK-based CSO E3G showed that the Bank's Multilateral Investment Guarantee Agency (MIGA) had the dirtiest portfolio in terms of support for fossil fuel projects between FY14-FY16 among the four members of the WBG. E3G found that in FY16, MIGA did not support a single renewable energy project: "[its] guarantees to energy were worth $1.9 billion in 2016, of which $0.9 billion went to fossil fuel projects", with the rest going to projects such as hydro-dams, which often have significant environmental and social impacts. Given that such guarantees offer financial 'de-risking' and provide political legitimacy to projects, CSOs have stressed it is problematic for MIGA's portfolio to lean so heavily towards fossil fuels.

**Climate concerns over infrastructure**

A December report published by Belgian-based CSO Counter Balance highlighted the contradictions between the WBG's push for a new generation of 'mega-infrastructure' (see *Observer* Winter 2017) and effective climate action. The report noted, "The building of planned mega corridors would … mean locking-in the current extractivist development model. This agenda … is largely reliant on fossil fuels, mining and large-scale agribusiness. … [It] is fundamentally incoherent with the fight against climate change." Although the World Bank is currently assisting countries with their Nationally Determined Contributions (NDCs) to the Paris Agreement, these only involve planning through 2030; given the decades-long lifespan of proposed mega-infrastructure projects, governance approaches in line with Paris's 2050 time horizon are needed to ensure Bank-supported infrastructure projects do not become 'stranded assets' that will need to be retired to meet global climate goals (see the Bretton Woods Project's 2014 briefing, *Multilateral Development Banks' unburnable carbon*).

Despite the substantial challenges that remain, CSOs are cautiously hopeful that the upstream pledge can serve as a catalyst for transforming the Bank's wider approach to energy and climate investments.

***tinyurl.com/WBGfossils***

RIGHTS news

# AIMM: Will IFC hit rights-based development target?

**CSOs call on IFC to incorporate human rights-based methodology in AIMM**

**CSOs wait to see whether AIMM will apply to FI lending**

At the October 2017 World Bank and IMF Annual Meetings in Washington DC, the International Finance Corporation (IFC, the World Bank's private sector arm), introduced its new development impact measurement framework, Anticipated Impact Measurement and Monitoring (AIMM, see *Observer* Winter 2017-2018). The new system will replace its Development Outcomes Tracking System (DOTS) and is to be fully operational by 2019. Contrary to DOTS, where development impact was only assessed three years after project implementation, AIMM will conduct an *ex-ante* assessment of likely development outcomes of proposed investments. It will also try to determine portfolio-wide impacts, with a focus on how individual investments and the portfolio generally perform in creating markets, a key objective of IFC's new 3.0 strategy (see *Observer* Spring 2017).

Civil society organisations (CSOs) consider AIMM an important opportunity for the IFC to address many issues raised by them and the IFC's Compliance Advisor Ombudsman (CAO, the IFC's independent accountability mechanism), including documented cases where IFC investments have supported land grabs, displacement, loss of livelihoods and destruction of the natural environment (see *Observer* Summer 2017, Winter 2017-2018). CSOs are waiting to see whether AIMM will apply to all aspects of IFC's portfolio, including its investments in financial intermediaries. As a January report by US-based Center for Global Development (CGD) on the nature and destination of IFC investments noted, "IFC's portfolio is not focused where it could make the most difference", given that most of its investments were in upper-middle income countries. While the IFC responded that it is the largest investor in low-income countries among international financial institutions, CGD noted that its analysis was difficult due to the lack of publicly available and user-friendly data provided by the IFC. This echoes a persistent complaint of affected communities and their CSO partners with respect to IFC investments.

Given the importance of AIMM in informing the IFC's investment decisions, civil society offered to assist the IFC to integrate a human rights-based approach into AIMM that goes beyond narrow projections of job creation and investment inflows. This would ensure that IFC investments are used to attract hesitant private sector investments to activities that bring tangible benefits to communities' ability to avail themselves of their economic, social and cultural rights. This would in turn assure IFC investments are fully in line with the Sustainable Development Goals, which resolve to "protect human rights."

AIMM is given additional importance by the Bank and IFC's new focus on fragile states and the new International Development Association's (IDA) – the World Bank's low-income arm – (see *Inside the Institutions* Spring 2017) private sector window (see *Observer* Winter 2017). Given the challenges of operating effectively in fragile environments, civil society has suggested that the IFC strongly consider developing AIMM tools specific to those settings.

***tinyurl.com/IFC-AIMM-HR***

CONDITIONALITY analysis

# Tunisians take to the streets over IMF-imposed austerity

by Clara Capelli, PhD. Research fellow at Cooperation Development Network

**IMF pushed export-led growth will create low wage, low value-added economy**

**Theoretical assumptions informing IMF's agenda must be reconsidered**

In January 2018, the introduction of austerity by the Tunisian government sparked widespread discontent. Already strained by the difficult economic conditions and the further shrinkage of their purchasing power between 2016 and 2017, Tunisians took to the streets, protesting the 2018 Finance Law and the IMF's loan conditionality, which aims to cut the budget deficit to 4.9 per cent of GDP. The deficit is supposed to be decreased through increases in indirect taxation (e.g. VAT rates, and purchase taxes on several consumer goods, including fuel and electricity) and reductions on the fiscal burden on enterprises as well as public and private employees.

A January 2018 article published by UK newspaper *The Guardian* severely criticised the IMF's austerity agenda in Tunisia, raising concerns about the impact of these policies on vulnerable citizens. The IMF responded to the article on its website noting that instead of austerity, it advocates, "well-designed, well-implemented, socially-balanced reforms", defending the theoretical foundations of its neoclassical, supply-side agenda. The Fund argues that growth will come with improved business and investor confidence, which in turn will come once Tunisia can cut its deficits and control debt and inflation.

Multilateral and bilateral donors have considerably increased their presence in Tunisia, as well as their financial support to the political transition process and development of a 'success story' following the 2011 uprisings. The IMF is a major actor through its four-year $2.9 billion Extended Fund Facility (EFF) agreed in May 2016. Since the beginning, negotiations on the EFF between the Tunisian government and the IMF have been complicated and delayed by the unpopularity of the IMF's austerity-inducing conditions. One thorny issue regards public employment and public-sector wage freezes, strongly opposed by the Tunisian General Labour Union (UGTT).

Given the lack of progress on reforms related to public employment and other loan conditionality, in December 2016 the IMF postponed the disbursement of the second EFF instalment, which was eventually approved in May 2017. The Tunisian government and Central Bank have complied with the IMF's request for more flexibility of the exchange rate regime. Consequently, the Tunisian dinar has undergone a dramatic fall since 2011, losing approximately 20 per cent of its value against the euro in 2017. The depreciation came along with a significant increase in the inflation rate during 2017, which hit 6.4 per cent by the end of the year.

The IMF's call for a flexible exchange rate is based on its presumption that a weaker currency will be a catalyst for exports. Yet, the IMF's faith in the benefits of this approach completely overlooks the structure of Tunisia's export sector as well as the dire consequences that currency depreciation has on import-dependent economies. In Tunisia, the export sector is primarily based on low-wage labour, mainly consisting of low-value added manufacturing, low-cost tourism and cheap services, such as call centres owned by foreign companies. A significant boost in Tunisian exports is yet to be seen, but even if they materialise, doubts remain about the number and quality of jobs they may create. In reality, Tunisia relies strongly on imports for consumption and hardly benefits from domestic substitutes. While sustained export-driven growth is uncertain, redistributive repercussions are the expected short- and medium-term consequences of the IMF's approach.

This policy response reveals the IMF's poor understanding of the Tunisian economy and inability to design alternatives to neoclassical development policies, which prioritise supply-led fiscal stability over decent employment and social justice. First, a small economy hugely dependent on its economic relations with the European Union can hardly benefit from currency depreciation if not supported by measures that promote structural transformation and shield consumers from high inflation rates. Second, business and investor confidence is built upon a variety of factors, and does not necessarily lead to sustained job creation and fairness. Third, development does not mean social and economic engineering: the expression "well-designed, well-implemented, socially-balanced reforms" means that austerity measures are to be justified in the name of a mechanical view of economic policy.

A radical reconsideration of the IMF agenda's theoretical assumptions – in Tunisia as well as elsewhere in the region – is more than ever necessary to shape macroeconomic policies that effectively promote productivity growth and decent employment.

**tinyurl.com/TunisiaIMF**

Photo: Stephen Jaffe

IMF Managing Director Christine Lagarde is greeted by Central Bank of Tunisia Chedly Ayari at the Central Bank Tunisia September 9, 2015 in Tunis, Tunisia.

SERVICES news

# CSOs urge IFC to divest from for-profit school chain

**CSOs call on IFC to divest from Bridge International Academies**

**IFC remains investor, despite WDR's concerns about private education**

In an open letter in early March, 88 civil society organisations (CSOs), including the Initiative for Social and Economic Rights (ISER) in Uganda and the East Africa Centre for Human Rights in Kenya, urged the International Financial Corporation (IFC, the World Bank's private sector arm) and other investors, to cease support for the multinational low-fee for-profit education provider Bridge International Academies (BIA). BIA runs over 500 schools in Kenya, Liberia, Nigeria, Uganda, and India. The letter follows an August 2017 open call by 174 CSOs for investors to cease support for BIA (see *Observer* Autumn 2017). The press release documented concerns raised by numerous independent sources, such as the UN, including, "higher costs than those advertised by the company, failure to register schools, use of unapproved curriculum, failure to meet teacher certification requirements, and discriminatory impacts." BIA replied with a public statement claiming, "most of the reports and evidence collated for this letter (of March 1st 2018) have been previously rebutted."

In late March CSOs responded to BIA's reply, calling on investors to review the evidence presented in the original letter and "to cease funding any company whose actions seriously damage the right to education and undermine domestic and international human rights law."

The first March CSO letter criticised BIA's "complicity in the arrest and detention without evidence of an independent researcher" in Uganda, and BIA's use of, "Legal action against the Kenya National Union of Teachers (KNUT) resulting in a gag order preventing the union from publicly mentioning BIA while awaiting trial." BIA's case against KNUT was dismissed on 20 February. The letter further highlighted controversies in Uganda and Kenya where it stressed that BIA has been operating schools illegally and failing to adhere to national education standards (see *Observer* Summer 2016), even after authorities ordered the closure of Bridge schools. In Kenya, BIA failed "to comply with its Ministry of Education's requests to register schools", used an unapproved curriculum, and failed to meet teacher certification standards. This led to a court-ordered closure of Bridge schools and numerous other court cases. In Uganda, following 18 months of dialogue with BIA, the government confirmed in February that BIA, "will not be permitted to open/operate this school year (2018)" after it failed to comply with requests from the Ugandan Ministry of Education to meet legal and educational standards. Salima Namusobya, of ISER in Uganda commented, "Bridge has failed to meet basic standards and deliver on their promises, and the Government is currently closing illegal schools. Yet, the company is still supported by investors abroad that would never accept such a situation in their own country. Investors will be complicit in this disaster if they do not remove their support."

**IFC defends BIA's performance**

The IFC responded on 19 March supporting its investment in BIA, citing, "The strong performance of Bridge pupils..., as well as learning gains in Liberia." Referencing the same independent evaluation by the Center for Global Development of Liberia's public-private partnership school programme on which IFC's assertions above were based, the CSO letter stressed the evaluation's finding that "BIA spent more than 13 times the Government spending per student and turned away children from schools to reduce pupil-teacher ratios, to reach artificially improved learning outcomes, though still only reaching low outcomes in absolute" (see *Observer* Autumn 2017).

While the IFC's letter referenced the 2018 *World Development Report* (WDR), it did not acknowledge the WDR's finding that, "there is no consistent evidence that private schools deliver better learning outcomes than public schools." The WDR also observed that in developing countries, "governments may deem it more straightforward to provide quality education than to regulate a disparate collection of providers that may not have the same objectives." In light of these findings and the continuing concerns over BIA's performance, it is striking that the IFC continues to invest in low-fee for-profit schools.

***tinyurl.com/IFC-divest-from-BIA***

RIGHTS news

# CSOs continue to push for review of Bank's ESF guidance notes

Following the release in November 2017 of the World Bank's Draft Guidance Notes for Borrowers (GNs, see *Observer* Winter 2017-2018) that will support the implementation of its much-criticised Environmental and Social Framework (ESF), civil society organisations (CSOs) expressed concerns about the content of the GNs and the consultation process generally. In a December 2017 letter to the Bank, 29 CSOs called for the draft GNs to be "substantially revised" in light of their "redundancy, lack of clarity, and lack of substantive content" and for the Bank to hold a second comment period.

The Bank has compiled CSO and other input into the draft GNs, which it stated will be aggregated into a detailed 'response matrix' explaining how and why comments were or were not incorporated into the revised GNs. The matrix will be made public within three months of the closure of the comment period on 22 December 2017. The Bank maintains that, as the GNs are living documents that don't require Board approval, no additional consultation is needed. Civil society considers the GNs a flawed tool that provides little help to borrowers on the implemention of the ESF.

***tinyurl.com/ESF-GNs-concerns-remain***

## Miriam Brett joins BWP as International Development Finance Project Manager

We are pleased to welcome Miriam Brett as the Bretton Woods Project's (BWP) new International Development Finance Project Manager. Miriam will lead the team's work on developments in international development finance, with a focus on the negative impacts of IMF policies. Miriam previously worked as Senior Economic Advisor to the Scottish National Party in Westminster and, prior to this, worked as a researcher for the Scotland-based think tank Common Weal. She holds a first-class BA (hons) in International Relations from the University of Stirling, specialising in social justice critiques of international financial institutions.

***mbrett@brettonwoodsproject.org***

LAND analysis

# The wrongdoings of the Doing Business Rankings and the corporate take-over of agriculture

by Frederic Mousseau, Oakland Institute

**Civil society urges World Bank to scrap DBR and EBA**

**EBA harms small-scale farmers by putting corporate interests first**

Under the campaign 'Our Land Our Business', NGOs, trade unions, farmers' organisations, consumer and environmental groups – all together over 280 organisations from over 80 countries – demanded that the World Bank stop one of its most insidious activities: the 'business ranking' of countries. The Bank's Doing Business Report (DBR) has scored countries according to how well their governments are "improving the business climate" over the past 15 years. But this model suffers from fundamental flaws (see *Observer* Summer 2017).

In January 2018, the Bank's Chief Economist Paul Romer publicly denounced the flawed methodology of and political manipulation by the World Bank's DBR, which Romer noted may have been used to disfavour Chile's ranking under its outgoing socialist president, Michelle Bachelet. Romer's resignation followed a few days later.

In 2013, the World Bank's own Independent Evaluation Group (IEG) recommended that the country rankings be eliminated from the DBR (see *Observer* Autumn 2013). The group's report also criticised the DBR for ignoring "the social or economy wide benefits that regulations yield, such as safety, environmental protection, worker protection, or transparency." By forcing countries to compete against each other, the rankings encourage a race to the bottom of deregulation between countries. The IEG also recommended eliminating the tax indicator, which penalises countries that require private companies to pay taxes or make contributions to pensions and other social protection schemes (see *Observer* Winter 2017). Bank management ignored these recommendations and has maintained a scoring system that rewards governments that not only cut taxes but also eliminate social, labour and environmental regulations in favour of corporations and foreign investment.

**EBA: The expansion of a failed model**

Based on the DBR's model, the Enabling the Business of Agriculture (EBA) report was launched after leaders of the G8 asked the World Bank in 2012 to create a "Doing Business in Agriculture Index", to guide policy makers in the developing world in designing "business-friendly" agricultural policies and regulations. It was started with financing from the US, UK, Danish, and Dutch governments as well as the Bill and Melinda Gates Foundation.

The EBA dictates so-called "good practices" to regulate agriculture and scores countries on how well they apply and implement them. Based on the EBA scores, the World Bank leverages policy changes in agriculture. By promoting a so-called "commercially-oriented" agricultural transformation, the Bank portrays farmers forced out of agriculture through land transfers as an "opportunity" to take up non-agricultural employment and obtain better livelihoods. As exposed by a recent Oakland Institute report, the EBA's goal is to promote measures and reforms that will favour the corporatisation of agriculture, including increased industrial agriculture and the privatisation of seeds around the world.

Handing over natural resources like land to corporations and destroying small-scale agriculture will not reduce poverty. The Oakland Institute's extensive series of reports on large-scale agricultural investments in Africa showed that wealth redistribution from agricultural investments has not been equitable. Job creation and labour conditions on large farm holdings fail to match the revenue, quality of life, and employment levels generated by small farms; and rural migration towards over-populated, unemployment-stricken cities does not improve livelihoods.

Though investments in agriculture are clearly needed in the developing world, these should benefit the farmers, the local and national economies, and ultimately contribute to global food security. This requires locally adapted solutions based on the experience, needs and the demands of farmers, pastoralists, and rural communities. For this to happen, one must reject the Bank's focus on foreign investment, large-scale agriculture, commercial inputs to increase yields and cash crops for export. As evidenced in the Oakland Institute's series of agroecology case studies, agricultural yields, farmers' income and food security can be drastically increased with practices and policies that encourage crop diversification, require less external inputs, enhance soil fertility and increase biodiversity. So far, the Bank has turned a deaf ear to the concerns raised by civil society and to the recommendations of its own Independent Evaluation Group.

As a result of Romer's high-profile criticism, Chile has demanded a full investigation into the DBR. The Dutch and Danish governments, two of the five initial EBA donors targeted by the Our Land Our Business campaign, have pulled their financing from the project. Early in 2018, France decided to pull out of the G8 New Alliance for Food Security and Nutrition, an initiative which the EBA was established to support and complement. In the wake of growing civil society mobilisation, some governments have been forced to take action, leaving the US, the UK, and the Gates Foundation increasingly isolated in their mission to promote corporate interests through the EBA. It will be in the Bank's favour to follow the stated mission of its development agenda – to end poverty, instead of misusing it to harm the poor.

***ourlandourbusiness@oaklandinstitute.org***
***ourlandourbusiness.org***
***oaklandinstitute.org***
***tinyurl.com/WBEBADBR***

Photo: Sunflowers, Boris Rumenov Balabanov, World Bank

ACCOUNTABILITY analysis

# IEG critical of World Bank's progress on shared prosperity goal

**IEG report casts doubt on Bank's progress on its own shared prosperity goal**

**Civil society raises concerns about Bank's approach to shared prosperity**

In 2013, the World Bank Group (WBG) committed itself to twin goals: To end extreme poverty by 2030, and to achieve shared prosperity, defined as, "fostering income growth of the bottom 40% of the population of every country." Last November, the Bank's Independent Evaluation Group (IEG) published an evaluation entitled *Growth for the Bottom 40%* which found a series of problems with the Bank's progress on this goal. Some of these, such as the scarcity of timely and good-quality data, are unsurprising. Others, however, hint at problems with the Bank's approach to shared prosperity more generally.

One of the central findings was that the Bank's Country Partnership Frameworks, "generally do not fully articulate the theory of change pertaining to the bottom 40 percent." The evaluation also found that, "only 32 percent [of World Bank projects] have an explicit theory of change linking project interventions to benefits among the bottom 40 percent." Another striking finding of the report is that only 63 per cent of Bank staff, "are fully familiar with the official World Bank definition of shared prosperity." Knowledge of the shared prosperity goal is at its lowest within the Bank's private sector arm, the International Finance Corporation (IFC), at just 42 per cent.

In addition, the evaluation found that 68 per cent of staff, "believe that in implementing the shared prosperity goal, the WBG should focus more explicitly on reducing inequality" and that, "These views are shared by several World Bank chief economists." Tellingly, in a discussion on the IEG report at the Bank, Manuela V. Ferro, the Bank's Vice President of Operations Policy and Country Service in March, referred to shared prosperity as the Bank's "sometimes forgotten goal." The IEG findings indicate that the Bank's approach to shared prosperity suffers from a lack of clarity, prioritisation and ambition.

### A definitional debate

The IEG findings and recommendations suffer from its narrow approach. The Bank's limited definition of shared prosperity as income growth of the poorest overlooks the pernicious impacts of wealth inequality. Economists such as Thomas Piketty have warned that if the richest accumulate wealth at a faster pace than economies are able to grow, inequality in that society will intensify. A January 2018 Oxfam report entitled *Reward Work, Not Wealth* found that 82 per cent of the wealth generated last year went to the richest 1 per cent, while the poorest 3.7 billion people saw no increase in their wealth. As outlinted below, the Bank's definition of the shared prosperity parameters, coupled with IEG's findings, has obvious implications for the policy prescriptions and strategies used by the Bank to pursue its second goal.

### Guilt by omission – tax and labour rights

While the IEG evaluation stated that only about 6 per cent of staff "mention work focused on improving macro stability or taxation policies as a channel for contributing to the shared prosperity goal", it does not go on to mention ways to improve this in its recommendations. It thus seems to ignore compelling evidence, such as that provided by the Tax Justice Network August 2017 blog, of the positive impact progressive tax policies can have on decreasing inequality. Concerningly, the IEG report does not once mention trade unions, despite being published only months after the International Trade Union Confederation (ITUC) and Global Unions called on international financial institutions – including the Bank – to boost incomes of people around the world by supporting strengthened collective bargaining rights. ITUC General Secretary Sharan Burrow said, "A rise of wages will do much to ... stop the trend of increasing inequality and provide the increase in global demand needed to sustain economic recovery."

### The Bank's PPPs agenda – further incoherence with 'shared prosperity'

While the report clearly stipulated that, "supporting equitable and sustainable macroeconomic policies" should inform much of the shared prosperity work, it does not address the implications of the Bank's Maximising Finance for Development (MFD) approach and its related push for public-private partnerships (PPPs) on macroeconomic sustainability or equality (see *Observer* Summer 2017). Civil society expressed its concern in the October 2017 'PPP Manifesto' signed by 152 CSOs, which stressed that the available evidence on PPPs indicates that they threaten macroeconomic stability through hidden debts and contingent liabilities, and increase inequality through user fees for the most vulnerable (see *Observer* Winter 2017-2018). For example, as noted in Belgium-based CSO Counter Balance's December 2017 *How infrastructure is shaping our world* report, the Bank's MFD and PPP agenda both support the development of mega-infrastructure corridors that enhance rather than alleviate inequality.

***tinyurl.com/IEGprosperity***

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

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

SOCIAL SERVICES analysis

# The impacts of IMF-backed austerity on women's rights in Brazil

by Grazielle David, Institute of Socioeconomic Studies (INESC)

**IMF and World Bank endorse Brazil's 20-year spending cap**

**CSOs argue cap violates human rights principles and is ineffective**

Since 2015 the Brazilian government has implemented unnecessary and excessive austerity measures with major human rights implications, especially for women's rights, despite the availability of less harmful alternatives. Among these austerity measures, the unprecedented constitutional amendment – CA 95, which came into effect in December 2016 – capped social expenditures and investments at 2016 levels, adjusted to inflation, for the next 20 years. It has been endorsed by the IMF and World Bank, while Brazilian civil society seeks its revocation. The IMF's support for the amendment was made public in its November 2016 technical assistance report. It reinforced this view during the visit of IMF officials to Brazil one month before the vote on the amendment took place, in the midst of nation-wide protests against its approval.

### Gendered impacts of CA 95

From 2015 to 2017, social investments were reduced by an estimated $42 billion, or 6 per cent of Brazil's total expenditures. With the passage of CA 95, these expenditure levels are expected to remain constant for the next 20 years. As demonstrated by INESC research, expenditures specifically benefitting women were reduced by 58 per cent after CA 95 came into place, while the number of specialised services offered to women suffering from violence was also reduced by 15 per cent between 2014 and 2016, and are now frozen at this level. CA 95 not only violates the human rights principles of non-retrogression and non-discrimination, but endangers the lives of Brazilian women.

Simultaneously, the Brazilian government has been dismantling state institutions that promote gender equality. The Secretariat for Women's Policies had its status diminished in 2015, no new shelters for women have been built in 2017, and no public campaigns to prevent violence against women have been executed since 2014 due to budget cuts.

### IMF claims social spending is protected

When presented with this evidence during a panel session on the gendered impacts of IMF policies during the 2017 IMF and World Bank Annual Meetings in October, an IMF official said that the expenditure cap would exempt much of Brazil's health and education spending (see BWP briefing, *The IMF, Gender Equality and Austerity)*. She argued that the constitutionally guaranteed federal transfers to states and municipalities are not included in the cap and that this money would finance these two essential public services.

In reality, according to article 110 of CA 95, the federal transfers to the states and municipalities earmarked for health and education fall under the expenditure cap. Therefore, the cap shifts the burden of these social costs further to states and municipalities. Constitutional un-earmarked federal transfers are a very important source of income for states and municipalities, as these transfers can be used to finance anything. Given that many municipalities and states are already facing fiscal crises, it is unrealistic to expect that they would direct this revenue to education and health. Given multiple pressing priorities, it is expected the cap will result in a significant reduction of support to women, despite the IMF's claims to the contrary.

### Right diagnosis, wrong remedy

The IMF did affirm that the fiscal deficit in Brazil was not a result of excessive social expenditures, but rather a crisis of the private sector. On this, we agree. However, what is the logic of identifying a private sector crisis and then recommending an austerity measure of freezing public social expenditures for 20 years? This flawed macroeconomic policy decision disproportionately impacts the most vulnerable and women in particular, and ignores the fact that there are alternative fiscal policies with beneficial gendered impacts.

For example, in Brazil research demonstrates that women tend to pay more taxes relative to their income than men, given the very regressive tax system that overburdens the poorest. This is particularly the case for black women, who make up the poorest demographic group in Brazil. If instead of cuts to the social budget, the government had carried out progressive tax reforms, like shifting tax burdens from consumption to income and wealth taxes, the result could have been significantly fairer. Such a solution could have reduced the high levels of inequality in Brazil, currently among the highest in the world, and helped correct gender biases in the tax code, as well as increased overall revenue collection. This could have eased the need for fiscal consolidation and would have relieved the disproportionate burden on women in particular.

**tinyurl.com/IMFTunisia**

Photo: Agencia Brasil Tânia Rêgo


Brazilian protests against austerity

# #MeToo arrives at World Bank as it publishes Gender-Based Violence Action Plan

**Action Plan calls for additional resources to tackle GBV**

**Bank to conduct external review of its sexual harassment procedures**

**Internal sexual harassment cases from 80s brought to World Bank Ombudsman**

In November 2017, the World Bank released an Action Plan (AP) outlining measures and a timeline for implementation to help prevent and respond to gender-based violence (GBV), including incidences of sexual exploitation and abuse (SEA) in World Bank-financed projects. The Bank's press release noted the AP addressed the Global GBV Task Force (TF) recommendations, which resulted from sexual exploitation and abuse allegations in a Bank-financed Uganda road project (see *Observer* Spring 2017, Autumn 2017). In the aftermath of the Uganda case, the global development media platform *Devex* reported in April 2017 that Bank President Jim Yong Kim called GBV a "worldwide epidemic" that "undermines all our work", and vowed to make preventing GBV a priority during his second term as head of the institution.

Reflecting the TF's recommendations, the AP included a section "mandating Codes of Conduct for civil works contractors in Bank Standard Procurement Documents, with prohibitions against SEA/GBV", including against sexual activity with under 18-year olds, regardless of the local legal age of consent. Following the TF's recommendations, the AP ensures that additional resources are made available and establishes a two-year GBV Prevention and Mitigation Fund. The TF's recommendations and the AP only look at Bank projects and are not aimed at internal Bank procedures for sexual harassment and abuse.

Separate from the AP, the Bank is in the process of commissioning an external review of its internal processes and procedures, with particular attention to sexual harassment and exploitation inside the Bank, including a review of the Code of Conduct in which the Bank's commitment to protect staff is included. Anne Quesney of ActionAid UK noted that, "while developing the AP, cases of abuse of power and sexual harassment of staff surfaced within the Bank itself – demonstrating that the problem goes well beyond contractors' behaviour and illustrating the endemic nature of violence against women and girls across society, providing the Bank with an opportunity to adopt a holistic approach to addressing unequal power structures."

### Sexual harassment at the World Bank – not a thing of the past

In December 2017, Elaine Zuckerman, of US-based NGO Gender Action and a former Bank staffer, wrote a letter to the World Bank Ombudsman where she spoke out about her own experiences of being sexually assaulted by two male Bank officials in the early 1980s. Her letter recounted that, at the time, she sought "redress from the World Bank Ombudsman", but was told that "he could do nothing without witnesses" – effectively ending the complaint process. "Without any transparency and accountability, the perpetrators, and other lechers in the Bank ... were protected by silence." Zuckerman wants to "retroactively seek and explore obtaining justice", and share her experiences "to improve the Bank's work culture", stressing, that "Now is the ideal moment to examine, spotlight and redress past and present sexual violations in the Bank so that all staff have the safe workplace they deserve!"

Zuckerman's letter was followed in February by an article in Washington DC-based newspaper *Afro* by E. Williams, of the National Congress of Black Women, criticising the Bank's lack of action to address internal sexual harassment since the 1992 *Stern* and 1999 *US Congressional* reports, which concluded that the "Bank's internal justice system that is supposed to protect women from sexual harassment [is] unfit to adjudicate sexual harassment claims." Williams argued little has changed since the *Stern Report* identified "a rampant culture of 'general sexual harassment.'" While the Bank develops processes to prevent GBV in its operations, it evidently has a long way to go in addressing this issue holistically throughout the institution.

*tinyurl.com/GBVmetoo*

## Follow BWP's World Bank and IMF 2018 Spring Meetings *Dispatch*

World Bank and IMF governors will meet during the 2018 Spring Meetings in Washington DC from 20-22 April. The Civil Society Policy Forum (CSPF) will take place from 17-20 April. The Bretton Woods Project will provide analysis of the meetings' communiqués, notes from CSPF seminars and more on BWP's *Dispatch* page.

Key themes to be discussed include increased engagement with fragile states, climate change, the IMF's social protection work, implementation of the Bank's Maximising Finance for Development approach, the 10-year anniversary of the global financial crisis, bridging the global infrastructure gap and the capital increase for the International Bank for Reconstruction and Development (IBRD, the Bank's middle-income arm), the International Finance Corporation (IFC, the Bank's private sector arm), and Multilateral Investment Guarantee Agency (MIGA, the World Bank's political risk insurance arm).

*tinyurl.com/Spring18Dispatch*

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.