World Bank’s vision of work leaves it isolated from the international community

During the World Bank and IMF Annual Meetings in Bali, Indonesia, the Bank published its flagship World Development Report (WDR) 2019, which explored the changing nature of work. The report triggered widespread indignation as a result of its support for labour market deregulation and its claim that concerns about automation are “unfounded” (see Observer Summer 2018). Rather than complementing current understandings on the future of work, the report’s recommendations clashed with key actors in the international community.

Indeed, in contrast to a recent IMF working paper warning of the dangers of automation, the WDR claimed that anxieties about the impact of technology on employment and inequality are “on balance unfounded”. Additionally, despite being released on the same month as a landmark report warning that we have 12 years to limit climate change, the WDR failed to mention just transition policies. Moreover, the Bank’s claim that “burdensome regulations also make it more expensive for firms to rearrange their workforce to accommodate changing technologies” contradicted its own WDR 2013, which stated that labour regulations had little or no impact on employment levels.

The critical responses to the WDR from wide-ranging communities, including feminists, international organisations, trade unions and diverse civil society groups alike drew further attention to the Bank’s isolated status for supporting private sector expansion at the expense of workers’ rights.

Responding to the WDR’s disregard for gender inequalities in gender experts Shahra Razavi and Silke Staab highlighted that “no reference is made to the critical role of unpaid care work in building human capabilities.” Indeed, an International Labour Organisations (ILO) report this year confirmed that women perform 76.2 per cent of global unpaid care work and that – in spite of this work making a substantial economic and societal contribution – it remains mostly invisible and unaccounted for in economic decision-making.

Razavi and Staab further stated that the WDR, “remains wedded to a rather narrow neoclassical view of human capital… without considering the bearing and raising of children that creates the basic foundation which education and experience may enhance.” This analysis chimes with Elisabeth Prügl’s critique of the World Bank, which recently laid out the Bank’s role in crafting a version of a neoliberal hegemony with a “feminist face” (see Observer Autumn 2018).
Indeed, in reference to the WDR, international policy advisor for women’s rights at ActionAid International, Wangari Kinoti, stated, “efforts to increase women’s participation in labour while simultaneously weakening labour protections and ignoring the stark realities of the exploitation of women’s paid and unpaid labour represent the dismantling of decent work and international human rights standards. They will deepen and broaden gender inequalities.”

Handing capital more power to erode labour share

Civil society voices joined forces at a Civil Society Policy Forum event during the World Bank and IMF Annual Meetings in Bali to discuss the then-draft report, which they argued supports harmful policies of deregulation. Kate Lappin from France-based Public Services International stated, “If we don’t address the fact that technology is pushing down the value of labour in the economy…we will end up with an environment where capital [has] increased power against labour.”

Responding to its publication, which took place just days after the event, Oxfam stated that the WDR’s central rationale – deregulation – is discredited, and that it casts serious doubts over the Bank’s commitment to inequality reduction (see Observer Spring 2018).

In contrast to the WDR, the World Inequality Report 2018, a World Inequality Lab annual publication on global inequality trends, identified that better paying jobs are key to addressing sluggish income growth of the poorest half of the population, adding that “healthy minimum-wage rates are important tools to achieve this.” The report further stressed that the “global top 1% earners has captured twice as much of that growth as the 50% poorest individuals.” This is a fact of particular concern ten years on from the financial crisis, as David M. Kotz notes that the seeds of systemic crisis stem from growing inequality and a financial sector absorbed in risky activities and a series of large asset bubbles.

The International Trade Union Confederation (ITUC), which represents 207 million workers, issued a scathing written response to the WDR. The confederation avowed that the report’s denial of challenges such as the existing global inequality crisis, at times contradicts its own findings, and failed to acknowledge the Sustainable Development Goals, concluding that “together, this excludes the WDR 2019 as a serious contribution to discussions on the future of work.”

ITUC General Secretary Sharan Burrow stated that, “Support for further deregulation will only reinforce strategies of platform companies to subvert employment relationship rules, increase precarious work, pay poverty wages and undermine workers’ rights.” An ITUC report earlier this year found that workers in the informal economy are particularly vulnerable to abuses, as they are exposed to inadequate and unsafe working conditions and often earn less.

The World Bank against the tide

Adding to these voices, the ILO issued a response questioning the approach to some key issues addressed in the Bank’s report. The reaction specified that they “remain concerned about the WDR’s approach to labour market institutions, regulations, the informal economy and social protection,” adding that, “a world with deregulated labour markets combined with minimal social assistance and social insurance would have high human and economic costs.”

A consultation leaving a bitter taste

The superficial consultation process during the report drafting supported long-standing criticisms that the Bank is unwilling to listen to external voices. The WDR’s publication followed a year-long effort from coalitions and organisations around the world to highlight the inadequacy of its initial findings and recommendations and attempts to re-shape its findings in line with international standards.

Once the draft WDR was published in early 2018, its failings were widely documented by academics, trade unions, networks, national and the international press. A letter was sent from global unions and over 80 civil society groups, think tanks and academics, asking that the WDR, “be rewritten to instead promote decent work and inequality reduction, and that this be made clear when the report is presented to the Executive Board.” Despite these efforts, the final report remains strikingly similar to the initial drafts, with only a small handful of alterations, such as scrapping its support for zero-hour contracts. This approach brings into question the extent to which the World Bank has addressed concerns about its knowledge production raised in the 2006 Deaton Report, which accused the Bank of having a self-referential approach to research and learning that, “rises almost to the level of parody” (see Observer Summer 2018).

IMF quota reforms: The fight for democratic governance continues

The IMF is developing its 15th General Review of Quotas, after the US Congress failed to authorise the previous IMF quota and governance reform until 2015, after it was initially agreed in 2010 (see Observer Winter 2016).

The quota review is designed to take place every five years with the stated aim of addressing the distribution of shareholding power among member states. The formula currently used to guide the distribution of quotas is calculated in accordance to GDP (50 per cent), economic openness (30 per cent), economic variability (15 per cent) and international reserves (5 per cent). However, the IMF has stipulated that a new quota formula is being discussed in the context of the 15th General Review of Quotas.

While the 2010 reforms shifted 6.2 per cent of quota shares towards poorer countries, they fell significantly short of civil society calls for a voting system that moved away from the unequal weighting that prioritises wealth over democracy, fueling a sense of disenfranchisement.

Dr Fanwell Kenala Bokosi, executive director at Afrodad, said, “Seventy three years after its establishment, the IMF quota system still reflects the colonial mentality that prevailed at its establishment.”

Indeed, the pressure on the IMF to complete the review and address the democratic deficit is mounting, as the G24 stressed in its communiqué at the World Bank and IMF Annual Meetings in October its concern with the delayed process, and called on the IMF and World Bank to “strengthen their efforts toward addressing the severe under-representation of some regions and countries, including at the managerial levels” (see Dispatch Autumn 2018).
Bretton Woods Institutions’ instrumental gender approach ignores structural elephant in the room

Guest analysis by Juan Pablo Bohoslavsky, UN analysis on Foreign Debt and Human Rights

The approach the IMF and a number of member states have recently taken to address gender inequality appears to be mostly instrumental, rather than anchored in a human rights-based approach that frames the achievement of gender equality as a goal in and of itself. The report I submitted a few weeks ago to the United Nations General Assembly, building on decades of feminist work and analysis, documents the shortcomings of this approach and how IMF-backed austerity continues to hit women hardest.

The instrumental approach is in serious conflict with the intrinsic importance of gender equality as a key component of human rights standards, particularly in light of the economic policies proposed and promoted by international financial institutions (IFIs) in recent years. While some research shows that securing certain human rights is good for growth and for the distribution of its benefits, there is no conclusive evidence to show that gender equality is always good for growth. In fact, other evidence shows that gender inequality can be conducive to some forms of economic growth.

Cambodia, for example, has seen impressive economic growth over the last two decades, attributed to garment and footwear exports, which account for a massive 80 per cent of its export earnings. While the labour force for this industry is composed almost entirely of women, the gender wage gap in the country more than doubled between 2004 and 2009, raising the question of whether Cambodia’s competitive advantage is reliant at least in part on the very structures that maintain and exacerbate gender discrimination and inequality.

While instrumental justifications could in theory complement human rights, global trends suggest that this is not happening and that we are moving towards ever increasing inequality.

The IMF and World Bank’s Structural Adjustment Programmes in the 1980s and 1990s were criticised for imposing harsh austerity measures that significantly and disproportionately impacted the poor and exacerbated inequality, including gender inequality. Yet, this is not just a critique of the past, because even in 2018, the IMF and World Bank continue to prescribe policies that undermine gender equality and the fulfilment of women’s human rights (see Observer Summer 2017, Spring 2018). Some of these include targeting food subsidies, privatising public utilities, downsizing social safety nets, and wage bill cuts, along with labour deregulation, reductions in pensions, public service cuts and regressive tax regimes through the introduction of, or increases in, VAT, while reducing corporate tax rates (see BWP briefing, The IMF and Gender Equality and VAT).

The effectiveness of the IFIs’ approach to gender equality also raises important questions that are relevant to ongoing policy debates, such as the reduction of coverage of social protection benefits, contracting fiscal space for social services and investments in mega-infrastructure projects over those that are sustainable and gender-responsive. The IMF’s failure to address structural barriers to women’s enjoyment of economic and social rights, like violence against women and girls, and its continued silence about the impacts of illicit financial flows, regressive tax regimes and privatisation of public services that affect women’s human rights also reflect the IMF’s blind spots when it comes to gender just policy interventions.

Meanwhile, the IMF’s ‘gender work’ remains largely centred on the positive growth effects of closing gender gaps in labour force participation. While it might be the case that a specific policy that encourages women to enter into the paid labour force is good for growth, if entry is not on equal terms with men and no attention is paid to internationally agreed standards of ‘decent work’, it could lead to the reinforcement of gender inequality by building an economy around embedded structural inequalities in labour markets.

Similarly, while the Bank’s 2016-2023 Gender Strategy takes into account some barriers to women’s economic participation, some argue that a more comprehensive understanding of women’s economic empowerment in work-related areas would be needed to achieve substantive equality, and that the Bank continues to push for the same macroeconomic policies as the IMF (see Observer Winter 2018).

It seems these institutions are neglecting both the ways in which the bulk of their macroeconomic policy prescriptions continue to undermine women’s rights and gender equality, and the macroeconomic and institutional enabling conditions required to foster gender equality. At the very least, IFIs should assess and address the harms caused to women’s rights by their own policy advice, enhance the voices of those impacted most, and support governments in progressively creating the fiscal space needed to deliver on their human rights obligations.
The IMF in Argentina: Can an old dog learn new tricks?

IMF increases amount of largest-ever loan to Argentina
Programme based on broken economic theory
Fund adjudges country’s debt sustainable – unless downside risks materialise

In September, the IMF increased Argentina’s original $50 billion loan agreed in June, bringing the total programme to an unprecedented $57.1 billion over three years. The programme was agreed in the face of Argentina’s financial crisis, the underlying cause of which was a rapid build-up of public and external debt, accelerated by abrupt financial deregulation by the Macri government (see Observer Summer 2018).

IMF policy prescriptions: treatment worse than the disease?

Through its programme, the IMF, which former Argentinian Central Bank Governor Alejandro Vanoli described in November as having “total control of economic policy”, prescribes a familiar policy mix with the aim of eliminating the primary fiscal deficit by 2019. To achieve this, the agreed IMF loan programme includes “an increase in [grain] export taxes, scaling back energy subsidies, containment of capital spending (that) will be compensated for by Private Public Partnership projects, limiting [tax] exemptions for cooperatives and mutual organizations, a reduction of discretionary transfers to provinces,” and, “a freeze in the new hiring of public employees”.

Eerily similar to the tried and failed Greek and 2001 Argentinian programmes, but now with a much larger amount of money at stake, the new programme once again reflects the flawed economic theory that claims there is no alternative to austerity as a response to economic recession, and promises to restore market confidence in Argentina (see Observer Autumn 2018, Update 79). In fact, prescribing concurrent fiscal and monetary contraction for a consumption-based economy in recession with relatively high unemployment is more likely to be procyclical and further “deepen and extend Argentina’s recession”, according to business magazine Forbes’ Frances Coppola. Perhaps reflecting a lack of confidence in the IMF’s ability to avoid this happening, the peso lost 20 per cent of its value in the two-day period in August after Macri announced he was seeking to renegotiate the IMF loan. In response, Professor Daniela Gabor of University of West England Bristol commented on Twitter, “that ‘#IMF feeling’ when your star pupil does everything you ask and is doing worse than Turkey.”

Argentina’s past experience proves this approach has not worked – and is likely to make things worse in the short-term. Independent estimates suggest that it will “require at least $40 billion in the next 14 months” alone to keep Argentina solvent, with another $48 billion projected to be needed in 2019, and that is still considered optimistic by some. In its own first review of the loan programme in October, the IMF assessed Argentina’s debt as sustainable, “but not with a high probability”, seemingly acknowledging the likelihood of its baseline assumptions not holding true and Argentina once again becoming insolvent. This begs the question of why the IMF is not following its own 2017 advice on the necessity of underpinning debt sustainability assessments with “realistic – rather than heroic – assumptions”, where, “it is not feasible for the problem to be solved through further belt tightening,” and instead turning to sustainable debt restructuring, as long suggested by civil society organisations such as Belgium-based Eurodad.

Burdens of IMF loan conditionality

Without requiring upfront restructuring of Argentina’s current debt stock to private creditors, the programme will continue to “put the burden of adjustments entirely on the shoulders of Argentina’s population,” according to an October Eurodad blog, in particular on the poorest and most vulnerable. With the programme taking place in a context of a cost of living increase of 5 per cent during the past two years, mass public layoffs, a decline of 12 per cent in average salaries, quadrupling of gas tariffs and a six-fold increase in electricity rates, it should come as no surprise that only three months after its introduction, regional ministers declared a state of food emergency, while poverty was reported to be spreading “like wildfire” by October.

Responding to concerns raised in Argentina, in an October interview, the IMF’s Managing Director Christine Lagarde highlighted the programme’s social protection minimum spending floor as a safeguard for the most poor and vulnerable, and expressed hopes of enforcing a new “safety valve” in allowing increases in social spending, “if the situation improves”. Having calculated that the social spending floor in the current programme amounted to $6 for each of Argentina’s 13 million poor for the last six months of 2018, Argentinian civil society groups described these safeguards as “a mockery”. This reflects a wider civil society critique on the inadequacies of the Fund’s approach to social protection floors, which can exclude large numbers of poor people, as recently brought to the fore as the Fund designs its new ‘strategic framework on social spending’ (see Observer Summer 2018, Spring 2018).

As a predictable result of these policy choices, the country has been paralysed by mass general strikes and historic mobilisations under the banner, “no to the IMF, no to adjustment”. Despite the supposed urgent need for more belt-tightening, according to national newspaper the Buenos Aires Times, ahead of December’s G20 Summit, Argentina nonetheless found the resources to invest, “100 million pesos in the purchase of...180 shotguns, 15 million rubber bullets, 2,000 tear gas projectiles and police vests,” for the occasion (see Observer Winter 2018).

Thus, the IMF is choosing to continue to apply its old broken model in Argentina, insisting on a familiar adjustment programme, while many economists, civil society groups, trade unions and the United Nations continue to offer alternative solutions. One such example is the establishment of an international debt workout mechanism, another is the use of human rights impact assessments (as the UN Committee on Economic, Social and Cultural rights recommended to Argentina in October) to guide macroeconomic reform programmes. The question is whether the IMF is capable of changing course.
**Doing Business 2019: World Bank’s tunnel vision obscures calls for reform**

Once again, the World Bank has been under fire from civil society and academics for the Doing Business Report, its flagship text that monitors and ranks the business environment of 190 countries (see Observer Spring 2018). After criticisms of changing methodology and political motivation following Chile’s fall and India’s sudden jump in the rankings last year, civil society responses to Doing Business 2019 continue to raise concerns of bias towards business deregulation and low corporation taxes.

The report highlights so-called ‘improvers’—countries the World Bank considers to have implemented the most business-friendly regulatory laws across ten areas. In practice, this means countries that are deemed to have cut “unnecessary red tape”, like minimising regulations around construction permits and merging or eliminating taxes.

This year’s report includes in its top ten improvers China, which abolished its business tax, and Togo, which lowered its corporate tax rate.

Responding to criticism from independent evaluations, the World Bank has adapted the report’s methodology, but it remains under question (see Inside the Institutions). Commenting on Chile earlier this year, former World Bank Chief Economist Paul Romer stated that he did not have “confidence in the integrity” of the rankings and suggested that the data may have been unfairly skewed towards some countries over others. He later retracted his comments and resigned.

**Doing Business and inequality**

This year’s Doing Business ranking highlights Hungary’s corporate tax rate reduction, now the lowest in the European Union, as a positive reform. This reflects the ranking’s promotion of low taxes on businesses through its tax rate sub-indicator, which gives a higher score to countries that have a total tax and contribution rate equal to or lower than 26.1 per cent of profit (see Observer Winter 2017). The ranking also criticises Oman’s increased corporate income tax rate for making it “more difficult to do business” while rewarding Cyprus’ abolition of property tax, in contradiction to advice in a recent IMF blog.

The report runs in stark contrast to Oxfam’s Commitment to Reducing Inequality Index, launched at this year’s IMF and World Bank Annual Meetings. Nadia Daar of Oxfam International commented that, “While Doing Business encourages a ‘race to the bottom’ on corporate taxation, Oxfam’s index asks governments to consider the equity outcomes of their policy choices and scores countries worse if their tax policies are regressive. Singapore, Bahrain, Latvia, Lithuania, and Mauritius rank among the highest for tax policies by Doing Business 2019, but those same countries come close to the bottom of Oxfam’s tax pillar. The Bank wants to remain relevant to today’s pressing issues, yet its flagship product continues to reward governments for policies that worsen inequality.”

While the Bank removed an earlier indicator that rewarded the undermining of labour rights (see Update 66), this year, in the Labour Market Regulation Annex, it warned of “cumbersome labor regulatory framework[s],” and cautioned that, “labor markets may not operate effectively if overregulated.”

Peter Bokvis of the ITUC noted that, “The World Bank claims to promote inclusive, sustainable economic growth while Doing Business continues its hostile stance towards labour rights.” He added that the World Bank’s “stubborn refusal to address considerable criticism over the purpose and methodology of the Doing Business rankings shows that it’s sticking to tunnel vision over reform.”

**US Supreme Court hears oral arguments on challenge to IFC’s absolute immunity**

On 31 October, the Supreme Court of the United States heard oral arguments on the Jam versus IFC case, brought by a local fishing community harmed by the Tata Mundra power plant in Gujarat, India, which was partially financed by the International Finance Corporation (IFC, the World Bank’s private sector arm). As US-based NGO EarthRights International, which represents the affected communities, noted, the suit against the IFC was brought after the community was unable to receive remedy from the IFC or its client (see Observer Summer 2018).

The US Supreme Court is deciding on the question of IFC’s ‘absolute immunity’, which the organisation claims to be based on the 1945 International Organisations Immunity Act (IOIA) that granted international organisations the same immunity from lawsuit as is enjoyed by foreign governments. The plaintiffs, on the other hand, argue that foreign governments’ immunity is now guided by the 1976 Foreign Sovereign Immunities Act, under which certain categories of lawsuits, such as those related to commercial profit-making activities, are exempted from immunity (see Observer Summer 2018).

The key question in the case is whether international organisations’ immunity refers to the time of the lawsuit, or the moment when the IOIA was enacted. At the hearings, Jeffrey Fisher of Stanford Law School, which represented the plaintiffs, argued that, “The word ‘is’ in this court’s jurisprudence always, always means at the time of suit, not at the time the statute was passed.” In contrast, the IFC argued that the IOIA “prescribes a standard of virtual absolute immunity that is fixed and not evolving.” The representative of the US federal government, Jonathan Ellis, noted that the plaintiffs have the “far better reading” of the statutory phrase. However, he expressed doubts about the case’s ability to meet the commercial activities exception of the 1976 act. The Supreme Court is expected to take a decision by summer 2019.
Civil society apprehensive as World Bank launches new Environmental and Social Framework

New ESF launched on 1 October
Concerns it will dilute standards as Bank shifts to more risky lending

After years of preparation, the new World Bank safeguards for project lending – the Environmental and Social Framework (ESF) – came into force on 1 October, amidst lingering concerns that they will dilute the Bank’s environmental and social standards at a time when it is pivoting towards more risky project lending.

The rollout of the new ESF occurred after the Bank’s shareholders agreed a general capital increase (GCI) in April for the International Bank of Reconstruction and Development (IBRD) – the Bank’s middle income lending arm – and the International Finance Corporation (IFC) – the Bank’s private sector investment arm (see Dispatch Spring 2018). The GCI will increase the Bank’s lending volume. The Bank will undertake more relatively risky lending in fragile and conflict-affected states (CAS) and lower-middle income countries, and will continue efforts to ‘de-risk’ and mobilise private sector investment (see Observer Summer 2017).

Despite a long period of consultation between 2012 and 2016 (see Observer Autumn 2016), and an extended process of creating ESF guidance notes for borrowers (see Observer Summer 2018), many civil society organisations (CSOs) remain unconvinced that the reform of the Bank’s safeguards has been for the better.

A race to the bottom? Vague clauses leave ESF open to interpretation

The World Bank’s new ESF includes ten new core ‘standards’ with guidance notes for borrowers and ‘best practice’ notes for staff developed over the past two years to guide the ESF’s implementation. It will apply only to the Bank’s new project lending, not to existing project loans or to the Bank’s development policy lending.

The new framework includes a ‘use of country system’ provision, which stipulates that safeguards of borrowers may be used for Bank-funded projects if they are ‘materially consistent’ with the new ESF. Given the difficulty of assessing country systems – and the complexity of monitoring implementation of safeguards in such systems – CSOs are concerned that the widespread use of borrower systems could lead to a considerable dilution of safeguards in Bank-financed projects.

The outcome of the GCI negotiations presents further challenges to the ESF’s implementation, with the Bank set to take on more high-risk projects, as well as more projects in fragile political contexts. As independent researcher – and long-time CSO observer – Korinna Horta noted in an article for German-based website Development + Cooperation following the ESF’s launch, this will take place alongside an important shift in the Bank’s pre-project risk assessments:

“A much used ESF term is ‘risk-based management’. It means that risks are only addressed as they emerge in the course of a project. …In the past, environmental impact assessments (EIAs) had to be [done beforehand and] made available to the public before the Bank’s Board could approve them.”

Horta added that, “civil society organisations…are increasingly being threatened in many places. Indeed, activists run great personal risks when they campaign to protect vulnerable minorities and the environment from the detrimental impacts of large infrastructure projects,” funded by the Bank and other international financial institutions (see Observer Winter 2018).

Indeed, at a Civil Society Policy Forum event on the ESF during the World Bank and IMF Annual Meetings in Bali in October, Indonesian CSOs complained that under existing Bank safeguards, military police were often present in consultations about World Bank-financed projects, raising fears of reprisals for those who spoke out against proposed projects. Later in October, a proposed World Bank geothermal project in Indonesia attracted widespread opposition, with Indonesian CSOs claiming that the environmental and social assessment of the project was inadequate.

Given the challenges confronting the new ESF, CSOs remain unconvinced that it is fit for purpose if the Bank is to deliver on its mandate to implement policies that benefit the poorest.
IMF and World Bank’s support for privatisation condemned by UN expert

An October report by Philip Alston, the UN special rapporteur on extreme poverty and human rights, on the effect of privatisation on human rights, has heavily criticised the World Bank and IMF’s aggressive promotion of it, arguing that widespread privatisation of public goods in many societies is “systematically eliminating human rights protections and further marginalising those living in poverty.”

Following in the footsteps of numerous UN reports, this report warned against a “tsunami of unchecked privatisation” that has transformed arguments for fiscal deficit reduction into an ideology of governance that devalues public goods and services (see Observer Spring 2017, Autumn 2017). The IMF and World Bank, it claims, are at the heart of this process.

World Bank paves the way for financialisation

A 1992 World Bank report stated that, “There are virtually no limits on what can be privatized.” More than two decades later and the Bank’s Private Participation in Infrastructure Database – which tracks projects in 139 countries – lists $1,758 billion in total private investment. Indeed, commenting on the Bank’s Billions to Trillions and subsequent Maximizing Finance for Development agendas – which explicitly prioritise private financing and private sector solutions – Alston noted that these result in “profitable enterprises being reserved to the private sector and unprofitable activities remaining publicly financed” (see Observer Summer 2017).

The report argues that voluminous materials promoting this “entirely one-sided solution to development financing” make no mention of its human rights implications, adding weight to civil society resistance towards the Bank’s leveraging of private sector investment (see Observer Summer 2017, Winter 2017-18). For example, earlier this year, 5,700 Indonesian women activists fought to ensure the government’s compliance with the Indonesian Supreme Court’s decision to ban water privatisation in Jakarta, which was initially introduced following World Bank advice (see Observer Autumn 2018).

Alston’s report also noted that – unlike the tracking of business performance – impact studies on human rights and poverty were rare for private sector projects. A 2017 report by Zeid Ra’ad Al Hussein, the UN High Commissioner for Human Rights, lamented that while, “Infrastructure, if well-conceived and implemented, is vital for the realisation of many human rights ... human rights are rarely given more than lip service [in] the macho world of mega-infrastructure” (see Observer Summer 2017).

A central recommendation in Alston’s report is a call to “reverse the presumption, now fully embraced by actors such as the World Bank, that privatization is the default setting and that the role of the public sector is that of a last-resort actor that does what no one else can or wants to do.”

IMF and privatisation: A hidden friendship

In 2014, when asked about the legacy of IMF’s Structural Adjustment Programmes, IMF Managing Director Christine Lagarde responded, “Structural adjustment? That was before my time, I have no idea what it is. We don’t do that anymore.” In contrast, the Alston report declared that while the Fund “claims to have introduced major changes to some of its Washington Consensus-era policies, the emphasis on the privatization of a range of public sector enterprises and activities continues to feature prominently.”

The report includes an appraisal of ten recent African Article IV staff reports – the Fund’s tool for conducting economic surveillance at a country level (see Inside the Institutions) – revealing that the IMF promoted privatisation in six cases, with most of the remaining governments already demonstrating a commitment to public private partnerships (PPPs) and associated projects. Awkwardly for the IMF, these findings were published just days after the IMF released a note warning against PPPs, emphasising that, “while in the short term, PPPs may appear cheaper than traditional public investment, over time they can turn out to be more expensive and undermine fiscal sustainability.”

Alston’s report further highlighted the indirect way in which privatisation can be promoted, whereby fiscal consolidation encourages governments to retreat from direct service provision. According to new research by Brussels-based civil society network Eurodad, 23 of the 26 IMF loans approved in 2016 and 2017 aimed to achieve fiscal consolidation, with 30 structural conditions in these programmes explicitly calling for privatisation measures.
As climate crisis bites, World Bank further distances itself from coal

IFC announces new green equity approach for financial intermediaries

Bank pulls out of proposed Kosovo coal project

At the World Bank and IMF Annual Meetings in Bali in October, the Bank signaled that it would further limit its future coal finance portfolio, introducing a new policy that will encourage divestment from coal in financial intermediaries (i.e. commercial banks and asset funds) that are clients of the International Finance Corporation (IFC, the Bank’s private sector arm). The Bank also formally announced that a coal-fired power plant in Kosovo, which it had previously considered funding, was now ‘off the table’ (see Observer Autumn 2018).

The Annual Meetings took place in the wake of a new report published by the Intergovernmental Panel on Climate Change in early October, which warned that governments have just 12 years to reduce global greenhouse (GHG) emissions by 45 per cent to avert irreversible global warming and limit global average temperature rise to 1.5°C. Countries’ current Nationally Determined Contributions to the Paris Climate Agreement (NDCs) put the global climate on a 3°C warming trajectory.

The Bank announced its post-2020 climate goals in Katowice, Poland, at the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) on 3 December (as the Observer went to press). Despite committing to provide $200 billion in climate finance between 2021-2025 – including $67 billion in finance leveraged from the private sector – and increasing the scope of the Bank’s support for climate action in countries’ national plans and in specific sectors, the goals don’t include any further restrictions on the Bank’s fossil fuel-related finance. Civil society organizations (CSOs) had previously called on the Bank to align itself with the Paris Agreement by committing to develop a GHG emissions target for its lending and operations, among other asks.

Civil society cautiously welcomes IFC’s green equity approach

On the eve of the meetings in Bali, IFC CEO Philippe Le Houérou announced a new ‘green equity approach’ to IFC’s investments in financial intermediaries (FI) in a blog published on development news website Devex. Le Houérou wrote, “I want to develop a green equity investment approach, working with financial intermediaries that formally commit upfront to reduce or, in some cases, exit all coal investments over a defined period.” Le Houérou also claimed that over the past two years the IFC has ring-fenced 95 per cent of its FI lending for specific activities, effectively introducing a coal exclusion in these cases. While welcoming the announcement, CSOs called for robust implementation.

“The IFC will need to require full disclosure by its clients of their exposure to coal and other environmentally and socially risky projects so that civil society can monitor the speed and extent to which these banks are actually getting greener,” said David Pred of US-based CSO Inclusive Development International.

During a CSO town hall event at the Annual Meetings, Bank President Jim Yong Kim also announced that the Bank would not co-finance a proposed Kosovo coal power plant, a controversial project that had been a mooted exception to its 2013 moratorium on coal project finance (see Observer Autumn 2018). Kim said, “We have made a very firm decision not to go forward with the coal power plant, because we’re required by our bylaws to go with the lowest-cost option, and renewables have now come below the cost of coal.”

Deep decarbonisation – opportunities and challenges

The Bank succeeded in increasing its ‘climate-related investments’ to 32 per cent of its portfolio in fiscal year 2018 (FY18) – marking a significant increase from a baseline of 18 per cent in FY15. However, despite recent progress, the Bank still has significant fossil fuel investments in its portfolio (see Observer Spring 2018). A study released by Oxfam International in October showed that the Bank continued to fund more fossil fuel projects than green ones across ten ‘climate vulnerable countries’ in Asia between FY16-18. Meanwhile, a co-authored study from Bank Information Center Europe & SOMO highlighted that in the last two years the IFC’s FI clients have continued to back large-scale fossil fuel projects including oil and gas, and coal-related projects in Myanmar and India.

CSOs have also pointed out that the Bank’s new coal-related announcements do little to address its legacy of past coal investments. In the Philippines, a complaint filed with the IFC’s independent accountability mechanism – the Compliance Advisory Ombudsman (CAO) – accused the IFC of helping to finance 19 new coal-fired power plants through investments in two financial intermediaries (see Observer Winter 2017-2018) – a case which the CAO is currently assessing. Previously, research by Inclusive Development International found that IFC loans were linked to the construction of at least 41 coal plants in developing countries between 2013 and 2016 (see Observer Winter 2017). “The IFC should atone for the negative impacts of its past decisions, as a matter of social responsibility and justice,” said Bibiano Rivera, of the Philippines Movement for Climate Justice. CSOs have called for IFC to ensure that harms caused by existing coal projects supported via FI clients are remedied and local communities receive adequate redress.
World Bank and IMF Annual Meetings marred by clampdown on People’s Global Conference

Guest comment by Ivan Phell Enrique, Asia Pacific Research Network, People Over Profit campaign, Peoples’ Global Conference against IMF-World Bank

Bali Annual Meetings overshadowed by clampdown on independent events
People’s Global Conference resilient in face of repression
Calling on peoples’ movements to forge international solidarity

Through decades of collective action, civil society has made headway in making governments, donor agencies, and multilateral platforms commit to conceding some space for civil society organisations (CSOs) to articulate the perspectives and demands of their constituencies in policy dialogues. United Nations agencies, global and regional forums, international financial institutions and multilateral development banks have introduced various ‘CSO engagement mechanisms’ to prove their transparency, accountability, and effectiveness.

Such gestures, however, have been overshadowed by the increased stifling of movements and organisations, as recently demonstrated by the clampdown on dissent during the 2018 Annual Meetings of the IMF and World Bank, which took place in Bali, Indonesia, in October. While the red carpet was rolled out for high-ranking state officials and big business interests in Nusa Dua, social movements and CSOs were subjected to blatant violations of their rights to free expression and assembly by the government of Indonesia for attempting to participate in independently organised side events.

Konfrontasi in Bali

Outside the Bank and Fund spaces, government-sponsored repression descended on the Peoples’ Global Conference against IMF–World Bank (PGC), an independent initiative of 34 Indonesian and international social movements and non-governmental organisations. The PGC represented grassroots communities and sectors that have been excluded from the development process in their respective countries and have suffered from rights violations associated with the policies and programmes of the IMF and World Bank (see Observer Autumn 2017, Autumn 2018).

A week before the PGC was scheduled to begin, the Bali Intelligence Police denied the local organisers a permit for the conference scheduled at the Radio Republik Indonesia. The organisers were told by hotel establishments that the police had instructed them to refuse services to the PGC. Anonymous numbers blasted a series of text messages maligning the PGC as “anti-development” and threatening the lives and security of coordinators. Hoax event posters were seen around Bali, linking the PGC to outlawed radical Islamic organisations, such as Hizb ut-Tahrir, seemingly to justify the escalation of violence against the conference and its organisers.

Meanwhile, the national police insisted on a new set of ludicrous requirements, such as copies of passports and the itineraries of PGC’s international delegates, as well as details of the conference’s programme. This harassment soon morphed into physical violence against organising members of the PGC. In the early morning of October 11, a local militia attacked the Bali Legal Aid office in Denpasar and chased away PGC youth volunteers staying there. Intelligence personnel were also seen around the hotels where PGC delegates were staying, taking their pictures and videos without consent.

A win for resilient peoples’ movements

While the Indonesian government succeeded in disrupting the event, the PGC earned the recognition as the people’s alternative forum to the official IMF-WBG meetings. With good flexibility, creativity, quick wit, and firm political resolve, the PGC broke the imposed silence in Bali.

Civil society groups at the Bali International Convention Center (BICC) – the official Annual Meetings venue – held a lightning rally to denounce Indonesia for attacking the PGC and shutting down public activities. The rally exposed the pretence of hospitality, openness, tolerance, and good governance peddled by the Indonesian Government with complicity of the IMF and World Bank.

Seemingly to avoid embarrassment, Bank and IMF staff and the Indonesian police swiftly herded the protesters into a holding room and offered to host the PGC, all expenses paid. Meanwhile, outside the negotiation room, security personnel armed with guns peeping out of their Batik shirts harassed the demonstrators and denied entry to six West Papuans seeking to register at the official Civil Society Policy Forum. Despite these apparent attempts to co-opt the event’s independence, the PGC organisers stood firm and continued.

Upon regrouping, PGC organisers and participants jointly decided to proceed with the activities, albeit scaled down and decentralised to avoid further police sabotage. At least 250 individuals attended discussions, workshops, and solidarity actions held in different venues around Bali. PGC statements and mass actions were extensively covered by both local and international media. Civil society, peoples’ movements, and individuals across the globe expressed their support for the PGC.

Towards the end of the week, the PGC issued a declaration calling on organisations to build a strong peoples’ front to contest international financial institutions in every arena of struggle.

Another low for global governance diplomacy

Infringement of civil liberties and freedoms by a host country during an international meeting is not unprecedented. Complete bans on protests were imposed during the IMF and World Bank Annual Meetings in Dubai in 2003, as well as the 2006 Annual Meetings in Singapore. Last year, the Argentine government revoked the accreditation of 63 civil society members a few days prior to the 11th World Trade Organisation Ministerial meetings in Buenos Aires. The extreme actions undertaken by the Indonesian government bring global governance diplomacy to another low and reinforces a worrying precedent for all future international meetings.

This year marks the 20th Anniversary of the UN Declaration on Human Rights defenders. Ironically, harassment, criminalisation, enforced disappearances, and at times, killings of frontline defenders are on the rise.
Multilateral institutions and organisations ostensibly acknowledge the importance of civic participation and social accountability in development and have promised to advance civil society inclusion and empowerment. By failing to prevent reprisals against defenders, the IMF and particularly the World Bank in relation to its projects, have not only failed to uphold their human rights obligations, but also significantly contributed in fostering a climate of intimidation that dissuades civil society organisations from exercising their role as development actors (see Observer Spring 2016, Winter 2018).

The 2021 Annual Meetings of the IMF and World Bank will be in Marrakech, Morocco. In light of the current global democratic deficit, global civil society should press the IMF and World Bank and the future host country to honour their legal commitments to respect peoples’ rights to organise and mobilise, including through independent conferences and protest actions, and concretely demonstrate ways to allow the exercise of such rights without fear of reprisals. We call on peoples’ movements everywhere to forge solidarities, push back attacks on fundamental human rights and carve their own democratic spaces of engagement and resistance in the face of adversity and repression.

Civil society calls for more protection of human rights defenders in development as IFC publishes position

In October, the International Finance Corporation (IFC, the private sector arm of the World Bank) released a statement expressing its position on client retaliation against civil society and project stakeholders. According to the text, the “IFC does not tolerate any action by an IFC client that amounts to retaliation – including threats, intimidation, harassment, or violence – against those who voice their opinion regarding the activities of IFC or our clients. We take seriously any credible allegations of reprisals.”

The statement came after Defenders in Development, a campaign launched in 2016 by the Coalition of Human Rights in Development, published an open letter condemning increased violence against human rights and development campaigners (HRDs). According to international NGO Global Witness, 2017 was the deadliest on record for land and environmental defenders, as “at least 207 land and environmental defenders were killed...indigenous leaders, community activists and environmentalists [were] murdered trying to protect their homes and communities from mining, agribusiness and other destructive industries.”

The coalition welcomed the IFC’s statement, but implored development institutions like the World Bank to develop more specific procedures, in particular in the context of its ongoing push for privatisation through its Maximising Finance for Development approach (see Observer Summer 2017). As noted by Gretchen Gordon, of Defenders in Development, “We urge the IFC to develop a comprehensive and detailed approach to this issue that integrates not just the assessment of reprisal risks, and addressing risks as they arise, but proactive engagement to prevent reprisals, robust human rights due diligence, reprisal-sensitive stakeholder engagement, and a response protocol so that when threats and reprisals materialize the institution is positioned to respond in a timely and effective manner to minimize and remedy harm, and to prevent future attacks.”

IMF appoints Gita Gopinath as its first female chief economist

In October, IMF Managing Director Christine Lagarde announced the appointment of Gita Gopinath as the Fund’s chief economist, to begin at the start of 2019. The Fund will join the OECD and World Bank in having a woman in a top economic position. Despite the apparent progress on this front, only 25.2 per cent of the Fund’s ‘B-level’ economists are women (see Observer Summer 2018). She will succeed Maurice Obstfeld, who announced in July he would retire at the end of 2018.

Gopinath is currently John Zwaanstra Professor of International Studies and Economics at Harvard University. She is also co-editor of the Handbook of International Economics with former IMF chief economist Kenneth Rogoff.

Gopinath’s previous stance on exchange rates is considered unorthodox for the IMF. According to the Financial Times, “her research has shown that...export flows are quite unresponsive to exchange rates.” It also highlighted that regarding the 2008 crisis, Gopinath’s research showed that, “low interest rate environments hurt productivity and led to misallocated resources.”

Gopinath’s position on exchange rates as the Fund’s chief economist will be met with intrigue by civil society groups, many of whom have traditionally criticised the Fund’s opposition to capital controls as the solution to protect economies when capital inflows pose a systemic risk (see Observer Spring 2016 and Update 81, 83). The Fund’s research department, which Gopinath will become head of, however, accounts for only around 3% of total staff and produces only about a fifth of the total research output.” The reality of how Gopinath’s non-traditional views will influence IMF’s policies remains to be seen.

Professor Daniela Gabor, from the University of Bristol, noted, “Prof. Gopinath’s appointment is a step in the right direction. The IMF now has a chief economist that studies macro-finance, asking critical questions about the impact of real and financial globalisation... Research at the IMF has systematically been ahead of conditionality – I look forward to the day when Prof. Gopinath convinces the IMF board to take her research seriously and have program countries, say like Argentina, use capital controls as part of an IMF standby arrangement.”
IFC launches consultation on draft Operating Principles for Impact Management

In October, the International Finance Corporation (IFC, the World Bank’s private sector lending arm) launched its draft Operating Principles for Impact Management, and invited comments on them until the end of December 2018. The principles define impact management as “managing [private] investment funds with the intent to contribute to measurable positive social, economic, or environmental impact, alongside financial returns.” They are consistent with the focus on leveraging the private sector finance for development, as outlined in the World Bank’s Maximising private sector finance for development, as consistent with the focus on ‘impact investing’ also reflects the Observer Finance for Development approach (see outlined in the World Bank’s Maximising private sector finance for development, as consistent with the focus on ‘impact investing’). They are instructive as the development community becomes more intimately involved in supporting impact investing and private finance as solutions to long-standing development issues (see Observer Summer, 2018). In addition to general questions about impact investing, long-standing criticisms about the IFC’s project selection, (mis-)incentives and harms caused by some of its investments, as well as the “declining performance” of its development outcomes are notable.

To those interested in problematising the assumptions underlying the ‘impact investment’ paradigm and concerned about the increasing financialisation of development processes, the consultation provides an opportunity to feed into the design of what could become a sector benchmark.

Bank and Fun(d) speak of the year: 12 days of Christmas – an ode to the World Bank & IMF’s 2018

On the first day of Christmas, Paul Romer submitted his resignation – after accusing Bank economists of data fabrication

On the second day of Christmas, the Fund researched gender & inequality – we didn’t expect policy advice on contraception and fertility

On the third day of Christmas, the Bank published the WDR – surely their pro-business agenda’s finally gone too far? (Observer Winter 2018)

On the fourth day of Christmas, emerging economies pondered the IMF quota review, and wondered if reforms would ever go through (see Dispatch Autumn 2018)

On the fifth day of Christmas, the Bank’s shareholders agreed a general& capitalill increa$$$$$$! … We’re still waiting for staff incentives linked to lending volume to cease (see Dispatch Spring 2018)

On the sixth day of Christmas, the Bank & G20’s misplaced panache – saw them introduce infrastructure as an asset class

On the seventh day of Christmas, the Bank published #DoingBiz – do they have a clue what decent work is? (Observer Winter 2018)

On the eighth day of Christmas, the Fund returned to Argentina – while the markets went to look for pastures greener (Observer Winter 2018)

On the ninth day of Christmas, the Bank launched its ESF scheme – does anyone know what ‘materially consistent’ means? (Observer Winter 2018)

On the tenth day of Christmas, the Supreme Court debated ‘Jam v IFC’ – after Indian fisherfolk challenged IFC’s ‘absolute immunity’ (Observer Winter 2018)

On the eleventh day of Christmas, the Bank launched the Human Capital Project – after the Fund’s austerity is there any state finance for education left? (Observer Autumn 2018)

On the twelfth day of Christmas, the Bank announced its post-2020 climate goals – as ornaments for its legacy investments in coal (Observer Winter 2018)

Happy New Year!