Bretton Woods at 75

A series of critical essays

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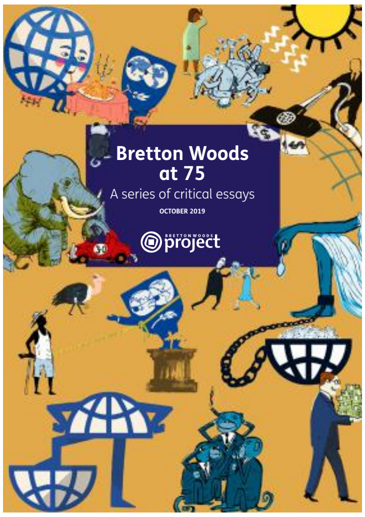


The cover shows a montage of just a few of the many illustrations by Robin Heighway-Bury that have appeared on the cover of the *Bretton Woods Observer* from 2004 to present.

1. Introduction

The Bretton Woods Project is pleased to present this edited volume, *Bretton Woods at 75: A series of critical essays*. The collected contributions of this compendium provide a rebuttal to the notion that the World Bank and IMF have been acolytes of progress and poverty reduction since their creation at the Bretton Woods Conference 75 years ago. Rather, the contributors to this volume seek to document some of the most onerous and embedded institutional shortcomings of the Bretton Woods Institutions. These insights are vital, not only in terms of delivering an assessment of the BWIs' diamond jubilee anniversary, but in debating how to reinvigorate a multilateralism that is fit for purpose in the 21st century. In order to address this challenge, we must grapple with the overlapping challenges of global economic tensions, rising inequality, the growing climate catastrophe, and the rapid erosion of fundamental human rights. This volume helps to elucidate the BWIs' role in the current 'crisis of multilateralism' by structurally undermining democratic governance and human rights, while destroying the environment. The volume also considers the importance of civil society in challenging the World Bank and IMF. It explores the birth of progressive organisations in the Global South that have sought to hold the BWIs to account for their role in perpetuating a deeply unequal global economic world order.

The first contribution, written by University of Witwatersrand professor Patrick Bond, assesses the BWIs' role in the current 'crisis of multilateralism'. Bond notes of the Bank and Fund, "Unfortunately, today, the adverse balance of political forces confirms that neither is a sure terrain on which to wage battles for social progress and environmental preservation. What's needed is a change in power relations." He adds that, "While the situation is dire and the challenges considerable… history provides room for hope in collective action."

The second contribution, from Ana Garcia and Fabrina Furtado, both International Relations faculty members at the Department on Development, Agriculture and Society at the Federal Rural University of Rio de Janeiro, Brazil, analyses the BWIs' impact on systems of democratic governance, using their home country of Brazil as a case study. Garcia and Furtado show the BWIs' ability to both constrain the promise of progressive politics as well as to build alliances with domestic elites to support reforms that have negative social and environmental consequences. They argue, "In Brazil, as elsewhere, the rise of the far-right government can be traced to the democratic governance deficit resulting from the inability of the state to construct more equitable relations of power when faced with opposition from local and international elites, acting in part through the BWIs."

The third essay, by Celine Tan, a Reader in Law at the University of Warwick, assesses how the overarching neoliberal character of the IMF and World Bank acts to undermine human rights. It traces the influence of the institutions in guiding macroeconomic policy at an international level and in shaping the global financial architecture, and linking the practices involved in this to the corrosion of human rights and the unwillingness of the institutions to act in accordance with internationally agreed human rights law. Tan writes that, "the Bank and Fund remain largely insulated from the conventional norms of accountability, including adherence to international human rights norms."

The fourth contribution, from Bruce Rich, a former attoney for the Natural Resources Defense Council and the Environmental Defense Fund, looks at the World Bank's environmental legacy. Rich concludes, "The Bank's environmental legacy is one of cumulative, avoidable ecological and social harm, followed by policy and procedural reforms adapted mainly in response to outside pressure and protest, and generally poor implementation of these reforms. This dysfunction is rooted in a perverse institutional culture of loan approval and pressure to lend." He argues that until the Bank's shareholders prioritise lending quality over quantity, little will change.

The final contribution, from Mae Buenaventura of the Jubilee South Asian Peoples' Movement on Debt and Development, catalogues grassroots resistance to the structural adjustment programmes of the 1980s and 1990s, which culminated in mass anti-debt activism and are manifested in continued resistance today. Buenaventura notes, "Debt movements advocated for critical, participatory, transparent and comprehensive examination of public debts by states and citizens as part of the call to repudiate and cancel illegitimate debts, and in the long run, sever the chains of paying burdensome and unacceptable debts."

Together, these contributions provide a critical lens through which to view the legacy of the BWIs at 75. We hope they will help stimulate a fresh discussion about how to transition to a 21st century multilateralism that sees democratic governance, human rights and protection of the environment as core principles, rather than window-dressing for growth-based, extractivist development.

Bretton Woods Project, *October 2019*

Bretton Woods Institutions' neoliberal over-reach leaves global governance in the gutter By Patrick Bond

As the world faces yet another crisis of multilateralism, the 75th anniversary of the World Bank and IMF provides those interested in a just and ecologically sustainable world order an opportunity to revive what seems the dormant debate about whether to 'fix' or 'nix' two essential pillars of the globalised system that brought the climate crisis and increasing corporate capture. While the situation is dire and the challenges considerable, this article argues, by way of example, that history provides room for hope in collective action.

Multilateralism has surfed up the swells and down the troughs of globalisation. In the latter case, the League of Nations faded away during the 1930s as a relevant force for peace, once the waves of Great Depression ripped Western economic interests apart. Today, multilateralism also seems to have entered the final, life-support stage of its 21st-century crisis, in part because of the overwhelming power of multinational corporations,[i] and in part because of fast-rising reactionary nationalisms.

As the 2019 G7 summit confirmed, the world cannot contend with the bully-boy ascendance of Donald Trump and other right-wing critics of 'globalism' (an anti-Semitic smear), who spew ever more toxic nativist-populist hatred while ignoring their countries' historic responsibilities to solve problems that their corporations mainly created. As a result, the founder of world systems theory, the late Immanuel Wallerstein, reflecting on the 2018 G7 meeting concluded, "Trump may have done us all the favour of destroying this last major remnant of the era of Western domination of the world-system."[ii]

Even at the G20, which is the economic grouping responsible for over three quarters of global greenhouse gas emissions[iii] and hence the site where addressing climate catastrophe is most urgent, the 2017-19 hosts in Hamburg, Buenos Aires and Osaka were cowed by Trump.

As a result, the world's most important climate, trade and financial arrangements are increasingly ineffectual and discredited. Notwithstanding a decade-old network of five 'middle powers' (better termed 'subimperialists'[iv]), the Brazil-Russia-India-China-South Africa (BRICS) bloc, the South is much less capable of giving the world's oppressed a chance to make inputs and win long-overdue concessions.

Instead, global-scale neoliberalism remains dominant. The ill-conceived United Nations (UN) collaboration deal with the plutocratic Davos World Economic Forum in June 2019 followed persistent 'bluewashing' concerns about the UN's discredited Global Compact with some of the world's least ethical firms, growing corporate manipulation of the 2030 Sustainable Development Goals, and sabotage of multilateral environmental and human rights governance.

Another sign of ever-worsening degeneracy is personal. Thanks to unashamed cronyism, all the major multilateral economic organisations with the exception of the near-imponent World Trade Organisation (WTO) are run by Westerners: the World Bank and International Monetary Fund (IMF), the Bank for International Settlements and the United Nations itself.

The only exception, Brazilian WTO leader Roberto Carvalho de Azevêdo, has notoriously pandered to the West, although he is now openly expressing frustration as Trump ratchets up protectionism and as US trade representative Robert Lighthizer obstructs appointments to his crucial Appellate Body.[v] "The dispute resolution mechanism is in crisis," according to neoliberal Peterson Institute scholars, a paralysis which "runs the risk of returning the world trading system to a power-based free-for-all, allowing big players to act unilaterally and use retaliation to get their way."[vi] That is exactly how Trump and Xi Jinping are handling their trade dispute.

Meanwhile, Brazil's President Jair Bolsonaro is following Trump's anti-multilateral lead, quickly renouncing 'special and differential treatment' provisions for poor and middle-income countries at the WTO – although it is sacred to other BRICS members, especially India. But Brasilia's split with the other BRICS began much earlier, complains Third World Network's Ravi Kanth, because although the developing-country bloc inside the WTO now "exists on paper, it remains paralysed after Azevêdo became director-general in September 2013."[vii]

Bolsonaro also cancelled Brazil's hosting of the UN Framework Convention on Climate Change (UNFCCC) summit later this year, forcing its move to Chile. Deploying bogus anti-colonial rhetoric, he turned his nose up at the G20's tokenistic $20 million grant to control the Amazon's conflagration. Moreover, Bolsonaro could well wreck the BRICS when he hosts the other four leaders in November.

In any case, the BRICS have already failed miserably when attempting to reform global finance, for example by complaining about – but failing to contest – the IMF and World Bank leaders, chosen by Europeans and the US in the 2011, 2012, 2015, 2016 and 2019 'elections.' At the same time, four of the BRICS bought expensive voting-power increases in the IMF (e.g. China rising 37 per cent), but at the expense of countries like Nigeria and Venezuela (which in 2015 both lost 41 per cent of their votes, while even South Africa's IMF 'voice' softened by 21 per cent).

The BRICS' supposed alternative to the IMF, the Contingent Reserve Arrangement, was founded in 2014 with a notional $100 billion. It actually gives Washington even more power, by leveraging most of its loans on the condition that the borrower accept an IMF structural adjustment programme. The BRICS New Development

Bank's first five years of lending confirm that it is as rife with corruption, non-consultation, climate damage and inappropriate currency denominations as the World Bank, and even more unfriendly to gender equity.

Likewise, there is no BRICS alternative to Western domination in trade or climate multilateralism. At the WTO, the BRICS were fatally divided, leading to the destruction of food sovereignty options during the Nairobi summit in 2015. And as for climate, the Brazil-South Africa-India-China (BASIC) leaders' close alignment with Barack Obama at the Copenhagen UNFCCC summit in 2009 held firm through the 2015 Paris Climate Agreement. But that won't solve our existential crisis, for the BASIC countries are absolute CO_2 emitters at levels even higher than the West (and in South Africa's case higher per capita than any country in Western Europe). So Paris's fatal weaknesses suit them fine.

More recently, new causes of global governance illegitimacy appear similar to the centrifugal forces tearing Europe apart. The political commitments of climate-denialist, 'paleo-conservative' xenophobes like Trump are different to other Washington philosophies imposed on the world, including the 1980s-90s' Reagan-Bush-Clinton era of neoliberalism (stretching with Thatcher and Blair into Britain and Kohl and Schroeder into Europe), George W. Bush's 2000s neoconservatism and Obama's 2010s fusion of these two US-centric ideologies.[viii]

With just a couple of exceptions (discussed below) an earlier generation of global-scale social-democratic hopes – fostered by serious multilateralists from 1970s traditions, e.g. Willy Brandt and Gro Harlem Brundtland – were dashed by the early 1980s, thanks to the role the Bretton Woods Institutions played in fracturing the world's progressive potentials on behalf of international financiers. The poorest countries went through a 'lost' decade or more of austerity. The 1995-2002 middle-income countries' rolling crises meant local elites allowed the same inappropriate neoliberal regime to be imposed by Washington even more deeply and dangerously in Mexico, East Asia, Russia, South Africa, Brazil, Argentina and Turkey.

Then it was the turn of the West's 'labour aristocracy,' a core group of working-class people dethroned, for they lost their once-solid manufacturing jobs to machines and overseas outsourcing, and were reduced to taking underpaid and under-valued service-based jobs and relying upon fast-degenerating public services. In 2008-09 they too witnessed a replay of brutal 1980s-90s Bretton Woods power plays, once their elites agreed upon a multilateral 'solution' to the world financial meltdown: A coordinated central bank bailout for the largest Western financial institutions.

This generosity was confirmed by the 2010s' official prioritisation – by the IMF, European Central Bank and European Union (EU) – of the Frankfurt, New York, London, Paris and Rome bankers' interests, which were near-fatally exposed to Greece and other peripheral European borrowers. By 2016, neo-fascist political parties were thriving there, while the most resentful within the British and US working classes chose xenophobic backlash in the form of Brexit and Trump.

Self-destructive IMF and World Bank ideology and financing

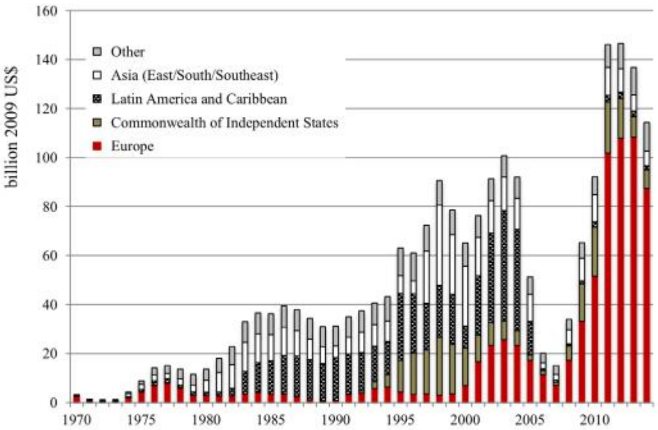
The crucial break point for multilateral potential was the 1980s world debt crisis, during which neoliberal ideology stretched the Third World so far that the likes of Tanzania's Julius Nyerere and Cuba's Fidel Castro even proposed a 'debtors' cartel' – but could not find a sufficient critical mass of other brave leaders even in a Latin America suffering from sustained IMF rioting, to the relief of international elites.

At one point in 1983, World Bank president William Clausen quite bluntly explained the balance of forces: "We must ask ourselves: How much pressure can these nations be expected to bear? How far can the poorest peoples be pushed into further reducing their meagre standards of living? How resilient are the political systems and institutions in these countries in the face of steadily worsening conditions?"[ix]

Clausen's power came from the 1979-80 'Volcker Shock': Soaring interest rates catalysed by US Federal Reserve chair Paul Volcker's decision to restore the dollar's power, in turn causing the Third World debt crisis. Clausen and all his successors abused that power to impose the Washington Consensus's ten policy commandments.[x] The term came from John Williamson of that city's Institute of International Finance, representing the world's major banks:

1. Budget deficits should be small enough to be financed without recourse to the inflation tax.
2. Public expenditure should be redirected from politically sensitive areas that receive more resources than their economic return can justify.
3. Tax reform so as to broaden the tax base and cut marginal tax rates.
4. Financial liberalisation, involving an ultimate objective of market-determined interest rates.
5. A unified exchange rate at a level sufficiently competitive to induce a rapid growth in non-traditional exports.
6. Quantitative trade restrictions to be rapidly replaced by tariffs, which would be progressively reduced until a uniform low rate of 10 to 20 per cent was achieved.
7. Abolition of barriers impeding the entry of foreign direct investment.
8. Privatisation of state enterprises.
9. Abolition of regulations that impede the entry of new firms or restrict competition.
10. The provision of secure property rights.

Fig 1. IMF loans, 1970-2015



Source: C. Reinhart and C. Trebesch, "The International Monetary Fund: 70 Years of Reinvention" , Faculty Research Working Paper Series, Harvard University, 2015, p. 24.

Needless to say, the victims of the Washington Consensus were mainly women, youth, the elderly and people of colour. The IMF's flows of annual loans that, thanks to conditionality, locked these policies into place, were initially less than $15 billion before the Volcker Shock, then soared to $40 billion by the late 1980s, jumped as high as $100 billion by the early 2000s, and exceeded $140 billion by the early 2010s (see Fig 1). The World Bank had similar bursts.

Added to the neoliberal agenda were trillions worth of 'illicit financial flows' manoeuvred into offshore financial centres, leaving governments with rising budget deficits and their social sectors experiencing permanent cost-cutting pressures. IMF economists Jonathan Ostry, Prakash Loungani, and Davide Furceri admitted in 2016 that as a result, "The increase in inequality engendered by financial openness and austerity might itself undercut growth, the very thing that the neoliberal agenda is intent on boosting. There is now strong evidence that inequality can significantly lower both the level and the durability of growth."[xi] But notwithstanding that admission, most subsequent Article IV consultations offered advice that amplified inequality, Oxfam researchers discovered.[xii]

The IMF also made a similar confession about its role in patriarchy, namely that "some policies recommended by staff… may… exacerbate gender inequality" – but again, when it came to a correction, the IMF "missed the forest for the policy trees," explains Emma Bürgisser of the Bretton Woods Project. "Almost every macroeconomic policy the IMF regularly prescribes carries harmful gendered impacts, including labour flexibilisation, privatisation, regressive taxation, trade liberalisation and targeting social protection and pensions."[xiii]

Activists try to undo destruction

In turn the predatory debt, precarious work and privatisation of so many aspects of life experienced by the world's citizenries calls forth two kinds of responses: Appeals to global governance to sort out problems national states have shied away from, and popular revolt. There are both good and bad versions of these top-down and bottom-up responses, as we have seen, with cases such as the Montreal Protocol and Global Fund for AIDS, TB and Malaria as top-down successes, although the latter owes more to bottom-up pressures.

Since the urgency of the situation required a global response, the 1987 Montreal Protocol was supported by even the reactionary Ronald Reagan administration. It committed national states to ensure their corporations (e.g. Dow Chemical and General Electric) stop producing and emitting Chlorofluorocarbons (CFCs) within nine years. The ban worked and the problem is receding (aside from recent Chinese corporate cheating on hydro-CFCs).

At present, a Montreal Protocol-type ban on greenhouse gas (GHG) emissions is presumed unthinkable, notwithstanding the impending eco-social catastrophe. A solution as forceful as the Montreal Protocol is needed for GHG emissions, but the weakness of multilateralism and the pro-corporate balance of forces makes it unlikely within the UNFCCC – unless the world's rising youth and other climate activists ramp up the civil disobedience and divestment advocacy that is now beginning to worry fossil fuel financiers.

In that spirit, there was one other more recent multilateral solution to a world crisis, AIDS, which shows how to shift the balance of forces not through elites' top-down meetings of minds (although within the World Health Organisation and UN AIDS, there were a few bureaucratic allies) – but instead, bottom-up, through militant activism.

Because of groups like South Africa's Treatment Action Campaign (led by visionaries Zackie Achmat and Vuyiseka Dubula), the US AIDS Coalition to Unleash Power ('ActUp') and the health NGO Medicins sans Frontiers, a persuasive case emerged in the 1990s – and gained confirmation in 2001 – to exempt copyrighted AIDS medicines within the WTO's Trade Related Intellectual Property System. Generics were permitted, not made in the US and Germany, but instead in many Southern countries. This resulted in more than a decade's rise in life expectancy, in South and North alike.

Anti-neoliberal protests have also helped to shift the balance of forces, including many millions in the Third World who objected to structural adjustment, or "IMF Riots." In the main study of these protests, David Seddon and John Walton in 1994 remarked on how not just poor and working-class people, but larger coalitions of society rose up: "Once mass discontent is made evident by these coalitions, political parties may take up the anti-austerity cause in successful bids for national office (e.g. Peru, Dominican Republic). In several countries, austerity protests initiated political crises that sooner (e.g. Sudan, Turkey) or later (e.g. Philippines, Haiti, Poland) toppled the national government."[xiv] Since then, there have been more countries – especially in Africa[xv] – whose unpatriotic leaders were tossed out of power or drew sustained dissent as they imposed the BWIs' logic.

Solidarity activism in the North is vital, such as demonstrations at IMF and Bank official events. Major protests included the 1988 Berlin Annual Meetings (which attracted tens of thousands of protestors), the 2000 Spring Meetings in Washington (30,000) and 2000 Prague Annual Meetings (50,000), as well as the Oslo 2002 Bank research conference on development economics (10,000). One of the main Northern activist challenges to Bretton Woods power was the early 2000s "World Bank bonds boycott" which – at the peak of the global justice movement's mobilisations – compelled cities as large and financially potent as San Francisco to divest from Bank securities.

This led to a 'fix it or nix it' debate, in which reforms of the Bank and IMF were so slow that TransNational Institute scholar Susan George fumed in 2000, "These institutions have had their chance. Anytime anyone asks, 'And what would you put in its place?' I am tempted to respond, 'And what would you put in the place of cancer?'" Added Kenyan activist Njoki Njehu, the leading Washington protest organiser at the Bank/Fund Spring Meetings that year, "The IMF and the World Bank increase poverty. The consensus is that the IMF and World Bank cannot be reformed. They have to be abolished."[xvi]

It's a debate that needs kick-starting once again. The 75th anniversary is a good time to ask whether such out-dated ideologies and their enforcers deserve to be retired, not (as the right-wing populist protectionists argue) so as to close the door on global governance, but to open it much wider in a way that serves people and planet, not multinational corporate profits. At the same time, by posing the question of abolition, we should also recall instances where impressive reforms have been won at the multilateral scale.

i. P. Bond, *Multinaltionals Corporations Invade Global Governance Insititutions, Causing For-Profit Paralyses,* in *Civicus State of Civil Society Report*, CIVICUS, 2017.

ii. I. Wallerstein, *The G-7: A demise to celebrate*, accessed 6 September 2019.

iii. Climate Transparency, *G20 Emissions*, 2015, accessed 1 September 2019.

iv. P. Bond, "Towards a Broader Theory of Imperialism", *Review of African Political Economy,* 2019.

v. "WTO paralysed as leaders try to defuse US-China trade war", *South China Morning Post*, 1 December 2018.

vi. T. Payosova, G. Hufbauer and J. Schott, *18-5 The Dispute Settlement Crisis in the World Trade Organization: Causes and Cures*, Peterson Institute for International Economics, 2018.

vii. D. Kanth, *Brazil's tectonic shift in foregoing S&DT at WTO,* Retrieved from TWN Info Service on WTO and Trade Issues, 2019, accessed 6 September 2019.

viii. L. Fekete, "A World Turned Upside Down?" *Socialist Register*, ed. by Leo Panitch and Greg Albo, 2019, 102-105.

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xii. C. Mariotti, N. Galasso, N. Daar, *Great expectations: is the IMF turning words into action on inequality?,* Oxfam GB, 2017.

xiii. Bretton Woods Project, *The IMF and Gender Equality: A Compendium of Feminist Macroeconomic Critiques*, 2017.

xiv. J. Walton and D. Seddon, *Free markets and food riots: The politics of global adjustment*, Wiley & Sons, 2008, p. 44.

xv. P. Bond, "Neoliberal Liberalism African Authoritarianism Disorganized Dissent", *Class History and Class Practices in the Periphery of Capitalism, Research in Political Economy, Vol. 34*, 2019, pp. 89-116.

xvi. A. Bakan, "From Seattle to Washington: the making of a movement", *International Socialism,* 2:87, 2000.

The Mount Washington, Bretton Woods, White Mountains, N.H.

International financial institutions and the elites of the Global South: Perspectives from Brazil By Ana Garcia and Fabrina Furtado

At the 75th anniversary of the establishment of the World Bank and International Monetary Fund, this article reflects on the continuing and evolving influence of both in the Global South despite claims of their diminishing relevance. The article uses the Brazilian experience to demonstrate how both institutions work with local and international elites to erode democratic governance and support failed policies that prevent structural changes that would result in equitable and ecologically sustainable development.

During their 75 years of existence, the World Bank (also referred to as 'the Bank') and the International Monetary Fund (IMF) – known as the Bretton Woods Institutions (BWIs) – have been the focus of various criticisms as a result of their operations in the Global South. This article reflects on the constant and growing influence of the BWIs in the Global South, despite claims of their diminishing relevance. Based on our experience as activists and researchers monitoring the role of BWIs in Brazil, we focus on the relations the BWIs have built with economic and political elites of the South in order to determine the construction and implementation of public policies, exercising power less as a direct form of imposition and more through implicit and barely visible channels. We hope to outline how – through their various channels of influence – the BWIs, in cooperation with local elites, undermine democratic governance.

We do this in a challenging context for Brazil, to say the least. From the impeachment of former President Dilma Rousseff in 2016 to the election of Jair Bolsonaro´s far-right government in 2018, Brazil has been losing its leading role in the Global South by prioritising alliances with traditional powers, particularly the US. Domestically, Bolsonaro has been seeking to deepen neoliberal policies by accelerating the privatisation of companies and public services and promoting an attack on labour, environmental and human rights laws and policies, governmental and non-governmental entities, and indigenous leaders and communities. This must be contrasted to previous governments, particularly with Lula da Silva (2003-2010), when Brazil ascended to the status of 'emerging power', helped to establish the Brazil-Russia-India-China-South Africa (BRICS) group, and became a leader of the Global South in different international negotiations. However, even during this period Brazil continued to prioritise, and to a certain extent deepen, a development model based on the extraction of natural resources and large infrastructure projects, with serious social and environmental consequences. Thus, despite the evident differences with Bolsonaro's current government, which the BWIs now support, the large projects implemented by the Brazilian government in the previous period were aligned rather than opposed to World Bank policies.

The World Bank's influence over the Brazilian economic landscape

The process of economic liberalisation implemented in Latin America as a consequence of the BWIs' policies in the name of attracting international investment has triggered deregulation and weakened environmental laws. In Brazil, as in all of Latin America, a development model based on mega-infrastructure projects, agribusiness and the extractive industry has become dominant. Environmental conflicts have deepened, the recognition of territorial rights halted, and threats to the integrity of indigenous lands have increased.

Some of the most recent examples of this neo-extractive model are hydroelectric plants built in the Amazon, such as the Madeira River complex. As a result of opposition to large dam projects, in 1997 the World Bank and the World Conservation Union established a multi-stakeholder Commission to review the effectiveness of large dams around the world. The Commission concluded that while "dams have made an important and significant contribution to human development," in "too many cases an unacceptable and often unnecessary price has been paid to secure those benefits, especially in social and environmental terms, by people displaced, by communities downstream, by taxpayers and by the natural environment."[i] Nevertheless, while having reduced direct loans to dams, the World Bank has found other ways to enable the Brazilian state to ignore all the "compelling evidence," including the Bank´s own research, on the ineffectiveness of large dams.

Through a World Bank Energy Sector Technical Assistance Loan,[ii] the Ministry of Mines and Energy (MME) hired the international consultant Sultan Alam to support the environmental licensing process of the Santo Antônio Madeira complex, a hydroelectric dam, in the Brazilian Amazon.[iii] After only two days of visiting the area where the dam was to be built, applying a methodology questioned by the Brazilian environmental agency and consulting mainly secondary sources, the consultant´s report, primarily based on his knowledge of European and US rivers, claimed to have 'solved' the technical concerns surrounding the amount of sediment in the Madeira River, which could potentially compromise the generators and render the project unfeasible.[iv] This is only one example that reveals the efforts of the World Bank and the MME to ensure that the construction of the Madeira complex took place as quickly as possible, despite risks to the local population, environmental protection and riverine and indigenous peoples, as documented by several other studies and technical opinions.[v] The Bank responded that, as governments did not adopt the recommendations of the Commission, neither could the Bank.[vi] In this case, the Bank – without a hint of irony – helped bypass governance structures it itself had helped create.

On the one hand, the Bank claims to have been the first international institution "to provide financial and technical support for environmental activities in Brazil", while also recognising that most of these projects "were intended to correct environmental degradation caused by infrastructure projects financed by the Bank in the 1980s."[vii] On the other hand, in 2008, at the request of the MME, the Bank initiated a series of studies on the Brazilian environmental licensing process as part of the Structural Adjustment Loan/Technical Assistance Loan (SAL-TAL) aimed at reforming the country's environmental policies.[viii] Amongst the "main messages" of the first study of the series,[ix] the Bank stated that the "environmental licensing of hydropower projects in Brazil is perceived as a major obstacle for the expansion of the country's electricity generation capacity." The study also deemed the Federal Public Prosecutor´s Office as a further obstacle, since, in the cases observed, the "Public Prosecutors' actions, and their natural inclination to use judicial measures generate frequent disputes within the licensing process." It is, however, this "natural inclination" that has provided social movements and affected communities a rare channel through which to question violations of various environmental and human rights laws related to large infrastructure projects in Brazil. The solution proposed by the Bank was a capacity building programme for public prosecutors on mediating environmental conflicts through negotiation techniques, replacing the primacy of rights.[x] Rights are thus 'negotiated' and denied in favour of those who have the power to "get to their yes, without giving in."[xi] As such, the World Bank shapes the production of knowledge on what development is and should be, in favour of both international and domestic elites at the expense of marginalised populations.

Corruption and the post-Washington Consensus in Brazil

Another example of the link between the World Bank and Brazilian elites relates to investigations into corruption and the Lava Jato Operation – or Operation Car Wash - which led to the arrest of various political and economic leaders in Brazil. The debate on corruption has inevitably involved the World Bank, as it is central to the so-called 'post-Washington Consensus', where, in contrast with its predecessor, market failures are recognised and governments given a role in regulating markets.[xii] According to the Bank, there is an inevitable link between political and economic deficiency: Corruption generates capital flight and reduces the rate of economic growth, representing a symptom of failed governance, and ineffective management of public resources. According to this narrative, the accusations of corruption and the impeachment of Rousseff, the first-ever female Brazilian president, in 2016, are often used as examples of society's intolerance of corruption and fiscal irresponsibility. In response, the World Bank and the Federal Public Prosecutor´s Office signed an agreement in February 2015 to manage the risk of corruption in Brazil.[xiii]

At the height of this process, in May 2016, the World Bank released its Systematic Country Diagnostic (SCD) for Brazil, where it discusses economic and governance deficiencies and the obstacles to development after the end of the commodities super-cycle.[xiv] Although the Bank made no reference to the political crisis facing Brazil, the report reinforced old prescriptions for creating a "good business climate," where political consensus once again plays a central role. Among the proposals put forward by the Bank were less regulation and tax and pension reform, reducing the burden of existing environmental regulations, green growth and more efficient management" of land, water and carbon resources.[xv]

These recommendations contributed to the election of Bolsonaro and his economic strategy. This included pension reform, referred to by the National Association of Federal Revenue Auditors as "an implosion of the public social security system in force in the country since the 1920s and consolidated by the 1988 Constitution," which "serves the interests of the financial system" in pursuit of "profit above all."[xvi] Carlos Vegh, the World Bank economist responsible for Latin America and the Caribbean, has defended the reforms of the current government, saying it is "doing things very well" by pushing through a "fundamental" pension reform, adding "from an exclusively economic point of view, I think Brazil is recovering without pausing, but without haste."[xvii] This goes to show that corruption is not, as argued by the World Bank, the foundation of economic deficiency. As noted by professor Alfredo Saad Filho, there is rather an orchestrated connection between anti-corruption efforts and economic "efficiency," applying any possible means in order to create a "good business climate", which promotes the interests of economic and political elites.[xviii]

IMF reforms and BRICS: Pursuing real alternatives?

In the case of Brazil, one of the significant developments in regard to the BWIs was the country's payment of its debts to the IMF and its transition to becoming a creditor to the Fund following the default in the 1980s and other financial crises in the 1990s.[xix] However, this early repayment did not reduce the country's overall debt burden, but exchanged external debt for internal debt with more than double the interest rate and much shorter maturities. This debt repayment, which also occurred in the cases of Argentina and Turkey, reflected demands from the US government to avoid the concentration of IMF debts within a few countries and did nothing to disrupt political relations between Brazil and the IMF. However, Brazil and the other BRICS countries have, to an extent, sought to coordinate their interventions to demand reforms in the IMF. This agenda was clearly a source of tension with Western powers, which sought to delay or even halt reforms at the Fund. In the end, the IMF quota reform agreed in 2015 increased the voting power of China (which saw its voting share increase 37 per cent), Brazil (23 per cent), India (11 per cent) and Russia (8 per cent) at the expense of other 'developing' countries: South Africa lost 21 per cent of its voting power, while Nigeria and Venezuela lost 41 per cent.[xx] Greater shareholding power of some BRICS countries within the IMF did not alter the dominant position of the US, nor did it alter the Fund's norms and rules. Now, as the IMF is set to publish its 15th General Review of Quotas, the US has suggested that it will block further reforms of quotas.

While demanding some reforms in the BWIs, the BRICS have also created new multilateral financial institutions: The New Development Bank (NDB) to fund infrastructure and sustainable energy projects, and the Contingent Reserve Arrangement (CRA) to lend to countries with balance of payment problems. Despite high expectations surrounding the creation of the NDB and CRA, however, they have both proven to complement, rather than oppose, the BWIs. Soon after its inauguration, the NDB established a partnership with the World Bank for infrastructure investment.[xxi] In the case of CRA, its articles of agreement compel any borrower to acquire an IMF structural adjustment package after receiving just 30 per cent of its lending quota (in order to access the next 70 per cent).

Notably, the NDB and the Asian Infrastructure Investment Bank (AIIB) launched in 2016, as the World Bank was revising its Environmental and Social Framework. The NDB and the AIIB placed greater weight on national socio-environmental protection and risk management systems; the World Bank adapted its socio-environmental safeguards policy to follow the same approach. As some have pointed out, the use of ‘country systems’ has meant that the World Bank, the AIIB and the NDB are now competing at the same level for infrastructure projects in peripheral areas of the Global South.[xxii]

The policy of strengthening national systems theoretically meets the principle of non-interference in internal affairs and preserves the scope of action of national states. The problem is that, while it is important that social and environmental standards be decided, implemented and monitored by national institutions, multilateral financial institutions may seize the moment, and support a global competition to attract investors, resulting in a regulatory ‘race to the bottom’, which we argue is the case with the World Bank.

Moving Forward

The Brazil case shows that, despite changes in the political stance of the government in place, the BWIs strategy for the country remains the same: Impose market rationale onto non-market forms of living, sometimes through non-democratic, illegal or illegitimate means. Changes in political narratives have not translated into changes in the *modus operandi* of these institutions. They have learned to adapt. They can claim the success of government policies, such as the Programa Bolsa Família, central to the platform of Lula’s Workers Party government (PT), exporting it to other countries; they can seamlessly complement South-South “alternatives” such as the NDB and CRA; and they can support the Bolsonaro government, which has been characterised by many as neofascist, even as it has advanced Brazil to the 109th position in the Bank’s the “ease of doing business” rankings.

In Brazil, as in many parts of the world, we are now facing crucial challenges. Old critiques of neoliberal practices and the BWIs don’t seem to have much traction in the context of an increasingly conservative, violent, religious and authoritarian government. In Brazil, as elsewhere, the rise of the far-right government can be traced to the democratic governance deficit resulting from the inability of the state to construct more equitable relations of power when faced with opposition from local and international elites, acting in part through the BWIs. Our methods and narratives are being challenged, amidst the need to recover the spaces lost by the working classes, women, afro-descendants, the LGBT and traditional and indigenous peoples. Seventy-five years of the BWIs siding with Brazilian elites is more than enough.

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Demonstrators in Rio de Janeiro tapping into widespread anger at poor public services, police violence and government corruption, June 20, 2013.

Human rights and the Bretton Woods Institutions: Moving beyond institutional remedies[i] By Celine Tan

The 75th anniversary of the World Bank and IMF provides an opportunity to assess the human rights legacy of these institutions that have had and continue to hold significant power to influence the international economic landscape and have far-reaching impacts on human rights. Considering the well-documented negative human rights consequences of the programmes and practices of the World Bank and IMF, and in line with developments in international human rights law, it is evident that both institutions must be held responsible for their actions through external instruments of accountability.

As we approach the 75th anniversary of the World Bank and the IMF and contemplate their legacies, an arena that has long been subject to debate and critique is the institutions' record on respecting, protecting and fulfilling fundamental human rights.

As important sources of development and crisis financing for a significant number of developing countries, the Bretton Woods Institutions (BWIs) have wide-ranging influence not only over the social and economic policies of states, but also over their political landscape and their governments' engagement with a range of internal stakeholders and external actors.

Despite this broad operational mandate and their significance in client states and communities, the Bank and the Fund remain largely insulated from the conventional norms of accountability, including adherence to international human rights norms.

Other international organisations, including other parts of the UN system, have expressed concerns with the impact of BWIs' development projects and economic reform policies on a wide-range of areas, including health, education, environment and public participation. A landmark report by UNICEF in 1987 entitled *Adjustments with a Human Face* called on the World Bank and IMF to take account of poverty and human rights concerns in their policymaking. Subsequent reports from the UN, including investigations by its human rights special procedure mandate holders, have drawn links between the BWIs' policies and practices and their impact on human rights. As recently as 2015, the United Nations Special Rapporteur on extreme poverty and human rights declared that "for most purposes, the World Bank is a human rights-free zone."[ii] The report contributed to other critical analysis of the impact of BWI policies on labour rights,[iii] women's rights and gender equality[iv] and other socio-economic rights.[v vi]

In July 2019, a report by the UN Independent Expert on the effects of foreign debt and human rights[vii] addressed the complicity of international financial institutions (IFIs), such as the World Bank and IMF, for human rights violations caused by their policies and operations. The report argues that austerity measures and other economic reforms implemented by states as conditions of IFI lending can impact negatively on a wide range of human rights, including the right to health, education and housing, and that IFIs should be held accountable for such human rights violations. The report finds evidence in international law and institutional practice to suggest an attribution of responsibility on the part of IFIs for harms caused by their economic reform policies and that, while states remain the main duty bearers within the international human rights regime, international organisations, such as IFIs, can be complicit in the pursuit of a wrongful act. This includes prescribing policies and imposing conditions on financing that have the potential to harm or contribute towards violations of human rights.

The UN Independent Expert's report addresses an important but often neglected aspect in relation to the BWIs' human rights record, which is that much of the debates, scholarship, policy and operational work have focused for far too long on establishing internal mechanisms of accountability, while neglecting issues of external culpability through domestic and international law for human rights violations.

The World Bank was the first international organisation to set up an internal accountability mechanism (IAM) in the form of the Inspection Panel (for the operations of the International Bank for Reconstruction and Development [IBRD] and International Association for Development [IDA], the World Bank's middle and low-income lending arms respectively), which not only became a template for the establishment of IAMs at other IFIs,[viii] but also provided the basis for the development of many project-level grievance mechanisms for private corporate operations. Since its inception, the Inspection Panel and its sibling organisation, the Compliance Advisor Ombudsman (CAO), which serves the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), the Bank's private sector and guarantee arms respectively, have been the central focus for investigating and redressing harms caused by projects financed by the World Bank Group.

This process was complemented by the development of substantive operational policies, known as environmental and social standards (ESS) at the IBRD and IDA, and Performance Standards (PS) at the IFC and MIGA, which are supposed to guide World Bank staff in their dealings with state and private sector clients and provide the basis for claims for project-affected peoples against the institution, including in areas that fall under international human rights protection, such as those relating to indigenous peoples, resettlement, public participation and labour.

At the IMF, operational references to human rights-related norms are almost non-existent, although efforts have been made over the years to consider some aspects relating to social and economic rights through aligning poverty reduction strategies and the Sustainable Development Goals (SDGs) with lending to low- and middle-income countries.[ixx]

This treatment of human rights in BWI operational policy and practice reflects the institutions' approach to addressing human rights concerns and their aversion to binding normative frameworks relating to external legal oversight of their activities. In particular, the BWIs have consistently made it clear that while their operations may take human rights considerations into account insofar as they are consistent with their constitutional mandates (as interpreted by the institutions), they view the primary duties of respecting, protecting and fulfilling human rights as resting with states, not international organisations.[xi]

The Bank has also consistently argued for, and for the most part been granted, immunity from legal action in relation to their activities in client states when asserted in the limited cases brought against it in national courts,[xii] although this immunity has been slightly dented after the US Supreme Court decision in the case of Jam v IFC in 2019,[xiii] which found that the IFC does not enjoy absolute immunity from suit in the US.[xiv]

The difficulties in securing legal redress through domestic and international legal means have meant that IAMs for accountability have become attractive to stakeholders and their advocates seeking redress and remedy for harms caused by the BWIs, notably the World Bank. But the focus on these mechanisms has been problematic for a number of reasons.

First, the IAMs only relate to a specific aspect of the BWIs' operations, namely project lending. Both the Inspection Panel and the CAO only have jurisdiction over harms that have occurred in investment project lending, such as loans for the construction of infrastructure or agricultural development, and social and environmental safeguards only apply to such lending. These mechanisms and policies do not apply to technical assistance projects or development policy lending (which finance policy or institutional reforms through direct budget support and are dependent on specific conditions)[xvi] from the World Bank.

The IMF does not have an IAM and so has no means of being held accountable for its economic reform policies that violate human rights. This is a serious omission given that numerous reports and studies, including the aforementioned UN reports, have indicated a link between policy conditionalities prescribed by the World Bank and IMF and human rights violations.[xvii] The recent UN reports provide additional weight to long-standing concerns about the negative human rights legacy of IMF-mandated structural adjustment programmes, which are still felt today[xviii] and the dire consequences of recent programmes, such as in the case of Greece.[xix]

Second, the IAMs have limited operational scope and focus on breaches of internal operational policies, the ESS under the new Environmental and Social Framework (ESF) and the Performance Standards. While the standards enshrined in these policies may be derived from external standards, including human rights principles, these standards are in no way equivalent to the protection afforded by national and international human rights law. They have very little normative effect in international law and only come into play as part of contractual negotiations between the Bank and its clients. In fact, it has been argued that human rights language in these policies and the practices of the IAMs have been traditionally instrumentalised by the World Bank to legitimise its operations to certain audiences while ensuring that their financial bottom line remains unaffected.[xx]

Third, given these are internal institutional mechanisms, remedies for affected communities, even where the Inspection Panel or CAO have found breaches of operational policies, are limited. The Inspection Panel and CAO can only request management action to redress these breaches through remedial action and, in the case of the IFC and MIGA, mediation between the private project sponsor and communities. However, the Bank has been clear about the non-legal nature of its operational policies, stressing that findings of Bank violations by its IAMs cannot be taken as conclusive evidence of Bank wrongdoing in judicial proceedings.[xxi]

Fourth, as operational policies, the standards of protection for affected communities can change and be downgraded without the usual safeguards accorded to human rights under national or international law. Most notably, the ESF, which replaced the old environmental and social safeguards in 2018, have been criticised for diluting protections for affected communities even as it references the Universal Declaration of Human Rights in its non-operationally binding 'Vision Statement'. Many observers have argued that the ESF represents a regulatory and accountability 'race to the bottom', as the World Bank faces competition from other multilateral development banks, such as the Asian Infrastructure Investment Bank and New Development Bank.[xxii]

This experience clearly indicates that internal policies of accountability are subject to institutional and political imperatives and can be redesigned or revised when the institutions are under pressure to reform and the political will is in correspondence with financial considerations.

Meanwhile, the IMF has yet to mobilise sufficient political support or face any institutional pressure to establish similar safeguards in its financial operations, partly because it does not provide project support but also largely because the Fund has traditionally been reluctant to engage with non-state actors or establish third party relationships. The Fund is also less porous to external influence as a financier given its importance as the lender of last resort. The same conversations on human rights which began at the Bank 30 years ago have not even begun at the Fund.

And finally, a focus on internal mechanisms shifts the responsibility for human rights adherence away from the BWIs and onto the borrower states and, in many ways, reinforces the asymmetrical relationship between the BWIs and their client states. Imposing some level of social and environmental safeguarding through operational policies yet refusing to be subjected to external accountability reinforces the normative authority of these institutions over countries in the Global South. It enables the BWIs to define what does and does not constitute standards of appropriate behaviour and enables the utilisation of the human rights discourse to reinforce patterns of violating behaviour on the part of the BWIs, such as the application of economic policy conditionality under the guise of governance reforms.

Moving forward, there should be much more focus on developing *external* instruments of accountability for the BWIs so as to secure genuine and effective accountability from the Bank and the Fund. The institutions could start by adhering to internationally agreed codes of conduct, such as the recently developed Guiding Principles on Human Rights Impact Assessments of Economic Reform Programmes, but more importantly, to open themselves up to legal scrutiny by national and international legal processes. Locating the BWIs' human rights obligations within a wider framework of public and private international law and incorporating human rights concerns into domestic legal processes may assist us in going beyond a conceptual analysis of human rights violations and towards establishing an operational framework for achieving BWI accountability.

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The World Bank and the environment: A legacy of negligence, reform, and dysfunction By Bruce Rich

This essay explores the environmental legacy of the World Bank, tracing the emergence of its environmental standards and the inability of the Bank's governance structures to prevent catastrophic environmental damages occurring as the result of Bank-financed projects. The Bank's environmental legacy is one of cumulative, avoidable ecological and social harm, followed by policy and procedural reforms adapted mainly in response to outside pressure and protest, and generally poor implementation of these reforms. This dysfunction is rooted in a perverse institutional culture of loan approval and pressure to lend, which also undermines governance in the Bank's borrowers and the economic quality of its operations.

The World Bank's 75th anniversary is a good opportunity to examine its record concerning an overarching challenge of the 21st century: Ensuring that development promotes the sustainability of the ecosystems on which the fate of humanity depends. For its first quarter century through to the late 1960s, the Bank's role appeared simple: A lender for economically productive investment projects (which its charter states is its main function). Under the tenure of President Robert McNamara (1968-81), the Bank expanded its mission to include a focus on helping the poor, as well as establishing an Office of Environmental Affairs in 1970. At the 1972 United Nations Stockholm Conference on the Human Environment, McNamara claimed that the environmental office reviewed "each project processed by the Bank" and that "since initiating our environmental review, we have found that in every instance the recommended safeguards have been successfully negotiated and implemented."[i] A decade later, McNamara's successor A.W. Clausen publicly touted claims of the Bank's comprehensive environmental review and successful implementation of environmental safeguards.

These representations were falsehoods. In the 1980s an international research and advocacy campaign by civil society organisations in the US, Europe, and in major borrowing countries such as India, Brazil, and Indonesia uncovered negligence and cover-ups in a growing number of Bank-financed development and infrastructure schemes. Multiple loans totalling many hundreds of millions of dollars supported huge agricultural resettlement schemes in Northwestern Brazil (the Polonoroeste project) and Indonesia (the Transmigration program) that catalysed largescale deforestation in the world's two largest remaining tropical rainforest regions. In India, Bank-financed coal mines and coal power plants as well as huge dams forcibly displaced many hundreds of thousands from local communities without adequate resettlement provisions. Growing protests of locally affected people in borrowing countries and hearings in the US Congress and in parliaments of several other donor countries led to a public *mea culpa* by Bank President Barber Conable in 1987, admitting that the Bank had been "part of the problem" and had "misread" the "human, physical, and institutional realities" of the environment.[ii] The Bank increased environmental review and policy staff over ten-fold and set up regional environmental review units to complement the central environmental policy office.

Some of these new initiatives, such as loans for environmental ministries and protected areas, were indeed positive, not least because of the Bank's leadership role in identifying new priorities and standards for other multilateral development banks as well as for private international banks engaged in project finance. But the implementation of environmental policies and assessments was often deficient, and new "development debacles" fueled new protests. The protests catalysed threats of funding cuts from the US Congress in the 1990s, prodding the Bank to set up its independent accountability mechanisms (the Inspection Panel for the International Bank of Reconstruction and Development [IBRD] and the International Development Association [IDA], and the Compliance Advisor/Ombudsman for the International Finance Corporation [IFC], the private sector lending arm of the World Bank Group). The accountability mechanisms have the mandate to review complaints by affected populations when the Bank does not follow its own environmental and social safeguard policies.

Yet the disconnect between rhetoric and operational reality continued. In the late 1990s, President James Wolfensohn commissioned an internal review of the Bank's operations that characterised the Bank's culture as "institutional optimism" based on pervasive "institutional amnesia." "The lessons from past experience are well known," the (now defunct) Quality Assurance Group concluded, "yet they are generally ignored in the design of new operations."[iii] The institution's original sin of a "loan approval culture" or "pressure to lend" was as perverse as ever.

The Bank's contradictory roles as climate trustee and coal financier

Despite these failings, in the first decade of this century, donor nations entrusted billions of dollars in new climate change mitigation funding to the Bank. The Bank also administered most of the investment projects of the Global Environment Facility, which, since its establishment in 1991 through the early 2000s, disbursed an average of $162 million annually for climate change mitigation. Under the Bank's *aegis* in this period (and in the face of protests by United Nations Environment Programme representatives), some GEF funds were used to top off carbon-intensive Bank projects, including a $45 million GEF contribution to a project for the life extension and modernisation of several coal plants in India. Starting in 2000, donor countries also entrusted the Bank with additional contributions for carbon funds, whose main purpose was to jump start international carbon offset trading under the Kyoto Protocol's Clean Development Mechanism, as well as carbon trading for forest offsets in developing countries not covered by Kyoto. By 2011, the Bank claimed it was managing over $3 billion in 13 different carbon funds. In 2008 the US, UK, Japan and other industrialised countries asked the World Bank to administer the largest part of $6.7 billion in several Climate Investment Funds (CIFs) to provide grants and low interest loans to developing nations for clean-energy investments and other programmes to address climate change; originally scheduled to be phased out by 2013 with the creation of the United Nations Green Climate Fund, the CIFs' sunset date has been continually postponed.[iv]

As these new climate funds for the CIFs poured in, the World Bank Group simultaneously went on a coal lending binge, approving $6.75 billion for coal plants and associated infrastructure between 2008 and 2010 alone in the Philippines, Chile, Botswana, India, and South Africa. By taking the lead role in such investments, the World Bank Group catalysed tens of billions of dollars in additional coal funding by other public and private financial institutions and banks.

A tale of two coal plants

Two of these Bank financed projects – the 4,150 Megawatt (MW) Tata Mundra coal plant in India[v] and the 4,800 MW Medupi coal plant in South Africa[vi] – are notorious examples of the disastrous environmental and economic legacy of its negligent lending culture. In 2008 the IFC approved a $450 million loan to Tata Power Ltd. for the Tata Mundra coal plant, catalysing an additional $5.73 billion of private bank loans, as well as $900 million Korean government export credit finance. Earlier this year, Tata Mundra was the subject of a US Supreme Court case *(Jam vs. International Finance Corporation)*, where public interest advocates representing affected local communities maintained that IFC negligence resulted in the contamination of drinking and irrigation water of local farm communities, causing severe harm to fisheries and fisherfolk, adversely affecting public health through air pollution and inducing involuntary economic and physical displacement. The IFC's Compliance Advisor Ombudsman (CAO) confirmed these allegations repeatedly over several years, but IFC management did not act to remedy the problems. The Court rejected the IFC's arguments claiming absolute immunity from US lawsuits and remanded the case back to lower courts for further consideration.[vii]

The negligence of the World Bank Group in financing Tata Mundra greatly exceeds the needless harm inflicted on local poor people. Tata Mundra is one of the 50 biggest sources of greenhouse gas emissions on earth. The inexpensive electricity rates that Tata and the IFC touted to justify the project depended on the import of Indonesian coal at highly subsidised rates. The Indonesian government halted the subsidies, and in 2011 Tata Power asked the Indian government in vain to allow it to double the electricity rate: The plant was losing $250 million annually and was quickly becoming a non-performing asset. Rating agencies Standard and Poor's and Moody's downgraded the company's credit rating. In 2012 Tata Power's executive director announced that henceforth the company would only invest in wind and solar. "Why would anyone want to invest at this stage in a coal project?" he exclaimed.[viii] In 2017, Tata offered to sell 51 per cent of its equity in the multi-billion-dollar plant to several Indian states for one rupee — equivalent to 1.4 US cents. There were no takers.

During the time the IFC was considering Tata Mundra, David Wheeler, formerly a lead environmental economist in the Bank for 17 years, denounced the IFC's support for the project in numerous articles as well as in US Congressional hearings. Besides attacking Tata Mundra for its disastrous climate implications, Wheeler noted that the Bank was squandering scarce public resources to subsidise a private power plant that did not need public international subsidies. As an economist, he warned – completely accurately – that "power from Mundra will never be sold at the rate advertised on the IFC's website...because this would guarantee bankruptcy in short order."[ix] The other rationale for the project – that it would supply needed energy for low-income, non-electrified households – was equally bankrupt, as only one-tenth of 1 per cent of Tata Mundra's electricity was allocated to habitations without power.[x]

Demonstrating it had failed to learn the lessons of Tata Mundra, in March 2010 the World Bank approved $3.75 billion to the South African state utility ESKOM – the largest energy loan in World Bank history – for the Medupi plant. Medupi will be the third largest coal power plant on Earth. Like Tata Mundra, it will emit more carbon annually than 115 nations.

Medupi turned out to be an even greater economic debacle than Tata Mundra. It has been plagued by huge cost overruns, delays, and massive corruption. Current estimates are that Medupi, if completed (latest estimated completion date: 2020), will be one of the most expensive coal plants ever constructed, costing over $10 billion. According to the *Financial Times*, the debt of ESKOM has grown over tenfold since 2007, and the utility is now threatened by bankruptcy.[xi] On 19 January this year, the World Bank's Country Director for South Africa announced that ESKOM "is a case of being too big to fail," and called for more debt restructuring and subsidies.[xii] Weeks later the South African government announced the largest bailout in its history, some $4.9 billion, to cover three years of ESKOM's debt payments.

The local pollution impacts on impoverished populations is immense. The Bank allowed Medupi to proceed without ESKOM installing dust monitors or complying with already weak South African standards. The *Financial Times* cited analyses by environmental groups estimating that annual premature deaths from this pollution could be in the thousands.[xiii]

One of the biggest ironies of the World Bank's financing in these cases is that in both India and South Africa, renewable energy was already emerging as an alternative that promised rapidly falling costs and a climate friendly future. In South Africa, the *Financial Times* noted that "in the space of less than a decade the country has used an innovative auction system – which attracted over $14 billion of private capital – to secure 6,400 MW of solar, onshore wind, and other independent projects."[xiv]

Lessons learned?

Both Tata Mundra and Medupi will be among the largest sources of greenhouse gas emissions on Earth for decades to come. Since 2014, the World Bank has not directly financed new coal plants and has proclaimed its commitment to financing climate friendly alternatives. In 2017 the Bank announced that after 2019 it would not finance new "upstream" exploration and development of oil and gas, "unless under exceptional circumstances", but would continue to finance natural gas projects involving transport, distribution, and power generation.[xv] But at the World Bank and IMF Spring Meetings this year, the German NGO Urgewald released an assessment of over 675 energy projects of the World Bank Group documenting how, in the Bank's fiscal years 2014-2018, it approved over $12 billion for fossil fuel projects compared to a little over $5 billion for renewable energy (excluding large hydropower).[xvi] "The Bank also continues to require governments to adopt investment incentives for coal and upstream oil and gas. Such flagrant contradictions to climate pledges must end immediately," concluded Urgewald researcher Heike Mainhardt.

Earlier this year Ernst Lutz, a Swiss University of California-Berkeley educated economist who worked with the World Bank from 1977 to 2017, wrote that the pressure to lend at the Bank remains high and that "corruption has not been reduced", despite the Bank's claims it promotes good governance. Lutz concluded in his 2019 article, "When the World Bank Needs to Lie", that these misplaced priorities result in more poverty, and worse: "One example is Burundi, where...[IDA] continued to support the government... despite the government's massive crackdown on citizens since 2015, generating new poverty, killing more than 1,000 people and forcing over 400,000 to flee."[xvii]

For decades the World Bank has often used disingenuous, false rationales to push through enormous loans for environmentally destructive projects, despite evidence that its official justifications at the time were bogus. Donor governments have been grotesquely irresponsible in approving additional billions for Bank trust funds to mitigate climate change without simultaneously ensuring that the Bank redirected large-scale lending that contradicted the stated goals of these funds. Smaller loan portfolios labelled "environmental" or "climate mitigation" are no guarantee that the overall environmental and climate impact of the Bank (and other development banks) will not be environmentally destructive. The lack of environmental and climate due diligence, and worse, active misrepresentation of climate and environmental impacts, can be leading indicators of large-scale fiduciary negligence and deeply embedded corruption, with enormously negative financial consequences.

What is to be done?

The Bank's environmental legacy is one of cumulative, avoidable ecological and social harm, followed by policy and procedural reforms adapted mainly in response to outside pressure and protest, and generally poor implementation of these reforms. This dysfunction is rooted in a perverse institutional culture of loan approval and pressure to lend, which also undermines governance in the Bank's borrowers and the economic quality of its operations. In 2007, the Bank's Board commissioned former US Federal Reserve head Paul Volcker to lead an independent evaluation of its anti-corruption efforts. Volcker concluded in his final report, that the "Bank's Board itself has been ambivalent" about fighting corruption. "The Bank," he concluded, "does not lack for units reviewing and evaluating its varied operations...[but] a strong focus on managerial and institutional accountability is lacking."[xviii]

Policy proposals for greater accountability, for mechanisms to learn from past experience, for greater participation and consultation of affected people in Bank projects, and for strengthening the Inspection Panel and CAO, often ignore the history of existing accountability, participation, learning and quality control mechanisms in the Bank. The Bank's environmental and social safeguard policies date back to the early 1980s. For decades it has been precisely the objections of some of the Bank's member countries and management that have led to a *de facto* culture of low priority for environmental policy implementation and to the creation of accountability mechanisms to serve in a merely advisory function, with little real institutional power.

Rather than improving monitoring and compliance, Bank management in recent years has diluted the safeguards to speed up lending.[xix] The World Bank Group has also continued a trend of channelling more lending to non-project, financial intermediaries, and policy loans,[xx] which do not trigger most of the safeguard policy requirements, nor the review of these requirements by the Inspection Panel and CAO.

Institutional policies, mechanisms and bureaucratic tools in the Bank to prevent future environmental, social, and economic development debacles have been in place for decades. But real change will only come through political will and pressure by major country members for the institution to assume responsibility through these policies and mechanisms for its negligence, to effectively strengthen accountability, and to finally make quality, rather than quantity, the priority in lending.

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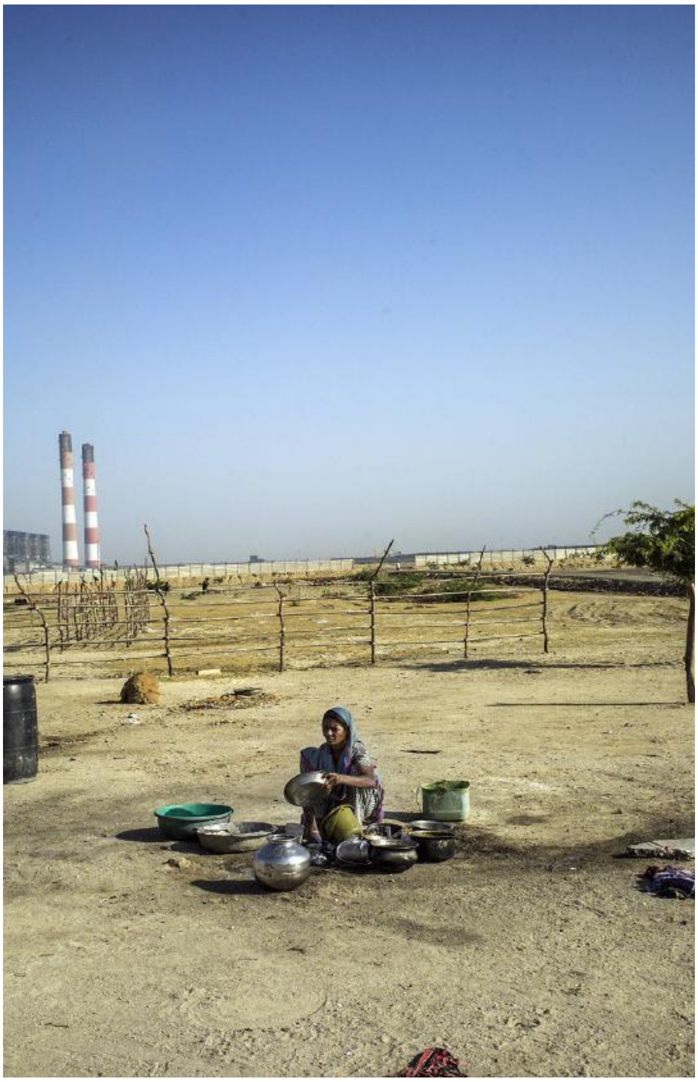

A woman washes dishes at the Kutadi Bandar, a seasonal fishing community located next to the Tata Mundra Ultra Mega Power Project’s intake channel. October, 2014.

Struggle and resistance against the IMF and World Bank at 75

By Mae Buenaventura

To honour a 75-year history, there have been expressions of renewed commitment from the Bretton Woods institutions (BWIs) to continue lending support to member states, presumably because they did well by their avowed pledges of reducing poverty and strengthening national economies. But the history of many developing countries in Asia that fell under the long shadow of the IMF and World Bank tells a different tale of deepening socio-economic inequalities, continuing impoverishment and deprivation, and ever-present vulnerabilities to exogenous shocks, from financial crises to climate change. More importantly, it also tells a story of struggle and resistance by urban and rural grassroots communities, women, indigenous peoples, the religious sector, academics and other groups – an undeniable rejection of the BWIs' policies and programmes.

A political and ideological struggle of Jubilee South: Debt as common ground

Opposition to the BWIs had long formed part of the analysis and critique of progressive organisations and anti-imperialist movements in the Global South, even before the structural adjustment programmes (SAPs) of the 1980s and 1990s that required borrowing countries to implement certain policies in order to obtain new loans. It was evident from the structure and decision-making processes of the BWIs that the interests of the US primarily, as well as other advanced economies, heavily outweighed those of other member states. Moreover, the BWIs openly extended loans to dictatorial regimes, such as those under Mobutu (Zaire, now the Democratic Republic of the Congo), Ceaucescu (Romania), Marcos (Philippines), Suharto (Indonesia) and Pinochet (Chile), despite widespread reports of their self-aggrandisement and human rights violations.

Debt enslavement became a central and unifying theme among various progressive Southern groups and movements and with like-minded organisations in the Global North. Among these efforts was a gathering in Gauteng, South Africa, in November 1999, which included activists representing peoples' organisations and movements from 35 countries in Africa, Asia, the Pacific, Latin America, and the Caribbean.

Poised at the start of a new millennium, the first Jubilee South-South Summit renewed the tradition of the 'jubilee' as a universal pardon and its underlying themes of equity, harmony with creation and 'new beginnings'. It declared the commitment of the Jubilee South coalition "to advance a common analysis, vision and strategy to overcome the effects and consequences of debt-related domination in the lives and futures of our peoples, countries and environments." It was furthermore an occasion to strengthen links between debt and "trade, finance, investment, consumptions patterns, food security, environmental degradation, and diverse forms of military and anti-democratic, neo-colonialist intervention and repression."[i]

Asserting the external debt of the South as illegitimate and immoral, it brought in critical discourse that rejected mainstream thinking of the debt as involving merely legal, economic and financial concerns. Plunder of Southern peoples and their resources underpinned their state of "indebtedness", thus rendering them "creditors of an enormous historical, social, and ecological debt", and not debtors, for which restitution and reparations are demanded. This also meant that the debt problem was both a national and international matter, with intersecting dimensions.[ii]

We are the creditors: Don't owe, won't pay

Campaigns against structural adjustment loan conditionality framed the debt issue as ideological and political, as "an instrument of power that helps ensure and perpetuate the transfer of resources from South to North."[iii] Thus, the solutions and alternatives that would go the distance needed to be comprehensive and transformative. As asserted in the Jubilee South manifesto, "[d]ebt 'relief' with a view toward 'sustainable' debt servicing and new indebtedness is inherently flawed... Initiatives for immediate debt relief are welcome provided they do not carry with them conditionalities, such as structural adjustment that perpetuate oppression."[iv]

The debt relief measures laid out by the international financial institutions (IFIs) and developed countries to deal with the debt crisis were arguably pushed, in no small way, by broadening protest against neoliberal policies and programmes, such as privatisation and deregulation, or the so-called 'Washington consensus'. These included such schemes as the Brady bonds, debt buy-backs, and the 1996 Highly Indebted Poor Country Initiative (HIPC), which provided full or partial debt relief to mostly African countries.

After structural adjustment, the Bank's tone changed along the lines of poverty reduction, country ownership, participation, inclusion, etc. For instance, the Enhanced Structural Adjustment Facility was replaced by the Poverty Reduction Growth Facility (PRGF), a new lending window for developing countries. The IMF also began requiring borrower countries to prepare Poverty Reduction Strategy Papers (PRSPs), which were supposed to encourage participation of different national stakeholders in drafting poverty-reduction strategies. But after only a few years, it became clear that "consultations had no or little impact on the development of poverty reduction strategies, let alone the sacrosanct macroeconomic frameworks upheld by the international financial institutions... and the donor community in general."[v]

These measures were roundly rejected by Jubilee South as they fundamentally hinged upon recognising the legitimacy of the debt claimed from the South. Calling for repudiation by peoples of illegitimate debts and cancellation by governments, the theme "'**Don't owe, won't pay**'...[became] the Jubilee South slogan contesting the 'debt relief' for the poorest countries approach: debt was an ideological construct no matter what the accounting books said."[vi]

Moreover, it was pointed out these schemes remained tied to neoliberal conditionality that had contributed to the burdensome weight of the debt of developing countries in the first place. They also perpetuated debt enslavement by providing developing country borrowers a way to meet debt service payments with renewed access to international credit. "Debt cancellation," from Jubilee South's perspective, "must be linked to processes that put an end to the perpetual indebtedness of the south, including the abandoning of creditor-imposed structural adjustment."[vii]

Building counter-narratives of resistance: Another world is possible

One of the largest convergences against neoliberal globalisation and its agents found expression in the 2002 World Social Forum (WSF) in Porto Alegre, Brazil, where Jubilee South in collaboration with other networks organised the International Peoples' Tribunal on Debt. On trial were the BWIs, banks, corporations and other financial institutions for the crime of illegitimate debt and the unjust and oppressive burden foisted upon peoples of the South. People from different sectors and countries testified on the illegitimacy of debt before a Panel of Eminent Persons presided by Judge Dumisa Ntsebeza, former commissioner of the South African Truth and Reconciliation Commission.

From the Asian region, Philippine and Korean participants spoke respectively on the Marcos dictatorship's foreign debt and the far-reaching conditionalities of the BWIs. In addition to finding the foreign debt "illegitimate, unjust, and ethically, legally and politically unsustainable", the jury found the accused, "guilty of a wide range of crimes including upholding and favouring unequal terms of trade, charging usurious interests rates, carrying out fraudulent operations, and applying structural adjustment, among others."[viii]

The recommendations included the de-commissioning of "international institutions which serve as agents to coordinate, oversee and guarantee debt flows, such as the IMF and the World Bank," and the assumption of any remaining useful role by more democratic institutions.[ix]

The judgment and recommendations of course carried no legal authority, but it gave global attention to a counter-discourse that indeed, as the WSF itself was aspirationally themed, "**another world is possible**." Onerous debts, debt service payments and loan conditionalities, including the IFIs as purveyors and enforcers, were not inevitable or irrefutable. It was a form of protest that challenged the knowledge, power and authority of the IFIs.

Participatory public debt audits: Lift the lid on bad debt!

Debt movements advocated for critical, participatory, transparent and comprehensive examination of public debts by states and citizens as part of the call to repudiate and cancel illegitimate debts, and in the long run, sever the chains of paying burdensome and unacceptable debts. As conceptualised, this is not a mere accounting procedure but, "both a political tool and a process to disentangle the web of debt – to scrutinize the historical context and events, the transactions and contracts that were forged, the actual use and impacts of the debt, the major actors and institutions – to answer why the Philippines, and many other nations arrived at such a debt quagmire."[x]

Brazil began its citizens public debt audit in 2001, followed by an official debt audit in Ecuador in 2008. Jubilee Australia also launched its 'Lift the Lid' campaign that year to support the citizens' audit of Australia's loans to Indonesia and the Philippines.[xi] Efforts to audit public debts were sparked in France, Belgium, Greece, Ireland, Italy, Spain and Portugal.[xii] Prompting the audit was the result of a "Popular Plebiscite on the External Debt" that civil society had vigorously campaigned for, based on identifying the oppressive impacts of the public debt. At the time, around 95 per cent of more than six million Brazilian voters resoundingly rejected continuing the lending agreement with the IMF, continuing payments of the foreign debt without first conducting an audit as provided for by the Federal Constitution, and to earmarking substantial budget allocations for speculative investors.[xiii]

Regional advocacy and campaigning: IMF-World Bank, out of Asia!

A major blow to the BWIs' credibility and legitimacy struck in Asia when the 1997 Asian financial crisis shook the region. The most adversely affected countries – South Korea, Thailand, Malaysia, and Indonesia – took out more than $120 billion in loans from the IMF. The loan conditionality turned out to be little different than the SAPs of the previous decade, with provisions for deregulating and liberalising the economy, opening local markets to trade and investments and fiscal tightening. The consequences for these countries proved dire in terms of greater poverty and inequality. "Never again!" became the rallying call among those harmfully impacted, realising that they would have been less adversely affected by the impacts of the crisis without accepting the IMF's "rescue" (as Malaysia had done).

It was around this period of heightened economic hardships and social unrest that national organisations and movements in the region convened in 2000 and launched Jubilee South Asia Pacific Movement on Debt and Development (now known as Jubilee South Asian Peoples' Movement on Debt and Development [APMDD]) in Bangkok, Thailand, originally as part of the global Jubilee South coalition. As an independent regional alliance of peoples' movements, community organisations, coalitions, NGOs and networks, APMDD continues its work today and its programme areas are currently focused on development finance and climate justice. Highlighting and critiquing the role and policies of the BWIs runs across these work programmes as continuing cross-cutting concerns.

Campaigning for public goods: Water is a human right

A wave of privatisation was sweeping across many developing countries in the early 2000s, as part of the rollout of neoliberal loan conditionalities that favoured private sector provision over public delivery of services. It reflected the belief that water should be treated like any other tradeable economic good whose price should be determined by the market and by consumers' willingness and capacity to pay.

Campaigning against water privatisation and the enabling role of the IFIs, APMDD asserted water as a life-giving resource that cannot be subjected to profit-driven business practices for full-cost recovery and vigorously opposed the valuation of water as an economic good and asset class. The contributions of various global water justice movements pressed for the recognition of water as a human right and the return of water and sanitation services to public hands. In July 2010, the United Nations General Assembly adopted a resolution declaring safe and clean drinking water and sanitation a human right, "essential to the full enjoyment of life and all other human rights."[xv]

Lessons from Metro Manila's failed water privatisation reached the Indonesian Constitutional Court, where APMDD shared its research findings at the request of the People's Coalition for the Right to Water/KRuHA and other CSOs involved in the alliance's regional campaign against water privatisation. Jakarta's water services had also been privatised in 1997, the same year as Metro Manila's, and also involved loans and technical advice from the International Finance Corporation (IFC), the private investment arm of the World Bank Group. Among the loan conditions was the requirement to "treat water as a tradeable economic good" and encourage private sector participation.[xvi]

Persistent campaigning by Indonesian civil society and water privatisation's own failings eventually clinched the reversal of Jakarta's water privatisation. In 2017, the Indonesian Supreme Court ordered the cancellation of the contracts with the two water concessionaires, and restoration of public water services in Jakarta,[xvii] affirming the struggles of water justice movements in Indonesia and elsewhere, and thus ending a 20-year neoliberal enterprise to reap corporate profits from a public good.[xviii]

Legislative recognition of illegitimate debts

In the Philippines, the concept of illegitimate debts reached mainstream recognition in the legislature through years of campaigning on illegitimate debts and pushing for a public debt audit by APMDD founding member, the Freedom from Debt Coalition (FDC). In December 2016, the senate passed a joint resolution "directing the appropriate Senate committee to inquire, in aid of legislation, into the foreign loans contracted by the Philippine government within the last 15 years through the conduct of a debt audit."[xix]

This was followed by the inclusion in the enacted 2017 General Appropriations Act of a special provision instructing the Philippine Congress oversight committee on Overseas Development Assistance, "to conduct a debt audit to determine the legitimacy" of 20 government-contracted foreign loans. These included loans from the Asian Development Bank, IBRD-World Bank, Japan International Cooperation Agency, Japan Bank for International Cooperation, Japan Eximbank, OPEC Fund for International Development, French Protocol, and Raiffeisen Zentralbank Austria.[xx]

New arenas: Holding IFIs accountable for climate change

In the face of heightened climate change impacts, especially in developing countries, climate justice movements have taken the IFIs to task for double-speak, as IFIs call for an end to harmful fossil fuels while still funding them.[xxi]

One of the most serious legal challenges – mounted and won – by farmers and fisherfolk in Gujarat, western India, was the case they filed against the IFC in 2015 for violating environmental safeguards by granting a $450-million loan to the Tata Mundra coal-fired power generation plant. The plant contaminated water sources and led to livelihood loss due to dwindling fish stocks. These safeguards had been adopted by the Bank in response to criticism and popular protest over environmentally adverse projects but have largely been followed more in the breach than in the observance. Responding with hubris, the IFC did not provide remedy, and then subsequently argued absolute immunity in a US lawsuit filed by claimants.

Eventually, the case reached the US Supreme Court where a landmark decision was reached in March 2019 that international financial institutions can be "subject to lawsuits [in the United States] in cases where their commercial investments in foreign development projects are alleged to have caused harm to local communities." While the further decisions in the case are yet to be settled, this dismantles a long-held belief that IFIs enjoy full immunity and sets a precedent of jurisprudence that may be applied for similar cases in the future.[xxii]

Now, the first complaint detailing the World Bank Group's role in exacerbating the climate crises has also been filed with the IFC's Compliance Advisor Ombudsman, its independent accountability mechanism. Representing project-affected communities, the Philippine Movement for Climate Justice is calling out the IFC's funding of 19 new or expanded coal-fired power plants in the Philippines through a $253 loan channeled through a local bank.[xxiv]

Continue to resist and another world is possible!

Poorly prepared for regional crises in Latin America and Southeast Asia, and the global and European crises of 2008, and in the face of resounding failure and rejection of structural adjustment, the BWIs on their current path face an increasingly dim future. A growing challenge to their legitimacy stems as well from the continuing domination and control in their governance structures and decision-making by a handful of developed states led by the US, even as larger developing country economies today should have increased their voting shares. To say nothing of the derisory voice of least developed countries, which are the most dependent on BWI 'support'.

More than ever, there is an urgent need for global mechanisms that facilitate economic cooperation among states and regulate trade to do so in a manner that supports the right to development of individual countries and is aligned with internationally-agreed human rights standards. Clearly, the BWIs have never fit this description.

Persisting in their ways and accepting no responsibility for the devastating consequences of their past actions, any potential for genuine reform along the lines demanded by movements in the Global South seems remote. No less than a complete transformation of the BWIs is warranted. As part of a strategic agenda and larger struggles of profoundly transforming the inequitable, inhuman and unsustainable global capitalist order which the IMF and World Bank support, we are already moving in this direction.

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Capitalism isn't working.

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Authors

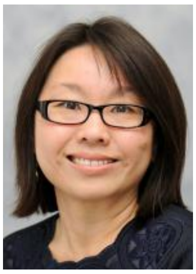
Patrick Bond

University of the Witwatersrand, Johannesburg

Patrick Bond is Distinguished Professor of Political Economy at the University of the Witwatersrand in Johannesburg. He authored several books on the Bretton Woods Institutions' influence in South Africa, Zimbabwe and the African continent, including L*ooting Africa, Against Global Apartheid, The Politics of Climate Justice, Elite Transition, Zimbabwe's Plunge* and *Talk Left, Walk Right*.

Celine Tan

School of Law, University of Warwick



Dr Celine Tan is Reader in Law at the School of Law, University of Warwick. She is also the Director of the Centre for Law, Regulation and Governance of the Global Economy (GLOBE) based at the Law School. Dr Tan's research centres on exploring aspects of international economic law and regulation with a focus on international development financing law, policy and governance.

Ana Garcia

Federal Rural University of Rio de Janeiro (UFRRJ)

Ana Garcia is Associate Professor of International Relations at the Federal Rural University of Rio de Janeiro (UFRRJ) and the Graduate Program in Social Sciences (PPGCS/UFRRJ). She coordinates the Interdisciplinary Laboratory for International Relations Studies (LIERI / UFRRJ) and collaborates as researcher at the Institute of Alternative Policies in the Southern Cone (PACS). She works in the realm of International Political Economy and Critical Theory.

Bruce Rich

Author, lawyer

Bruce Rich is an attorney and author who has worked for many years with major US environmental organisations on international development and finance issues, including testimony in numerous US congressional hearings on the World Bank and other multilateral development banks. His 2013 book, F*oreclosing the Future: The World Bank and the Politics of Environmental Destruction*, examines the World Bank Group's environmental and social track record over two decades.

Fabrina Furtado

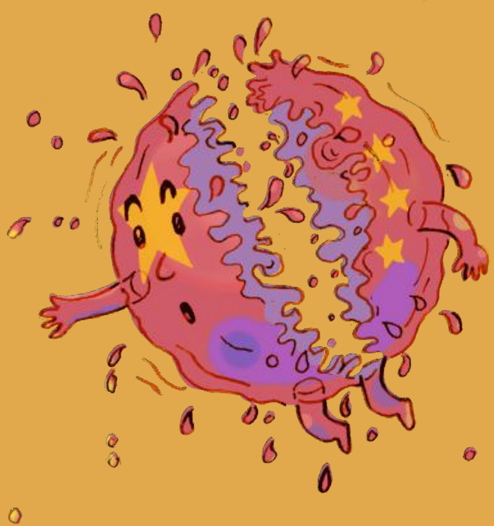
Federal Rural University of Rio de Janeiro (UFRRJ)

Fabrina Furtado is researcher at the Federal Rural University of Rio de Janeiro (UFRRJ) Group for the Study of Social Change, Agrobusines and Public Policy (GEMAP) and the Laboratory on the State, Work, Land and Nature of the Federal University of Rio de Janeiro. Her research areas include climate change, public policy and environmental finances in Brazil. Fabrina has extensive experience in environmental policy, urban and regional planning, and was Secretary of the Brazilian Network of Multilateral Financial Institutions and Jubilee South.

Mae Buenaventura

Jubilee South Asian Peoples' Movement on Debt and Development (APMDD)

Mae Buenaventura is Deputy Coordinator of Jubilee South Asian Peoples' Movement on Debt and Development, a regional alliance focused on climate finance, fiscal policy and the right to essential services and natural resources. Mae works on the tax justice and gender equality aspects of tax policy, trade, investments, tax treaties, extractives and illicit financial flows. She is also one of the Vice Presidents of an economic policy advocacy organisation, the Freedom from Debt Coalition (Philippines).



Bretton Woods project

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

Tel: +44 (0)20 3122 0610
Email: info@brettonwoodsproject.org
www.brettonwoodsproject.org

@brettonwoodspr
facebook.com/BrettonWoodsProject