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BRETTON WOODS project

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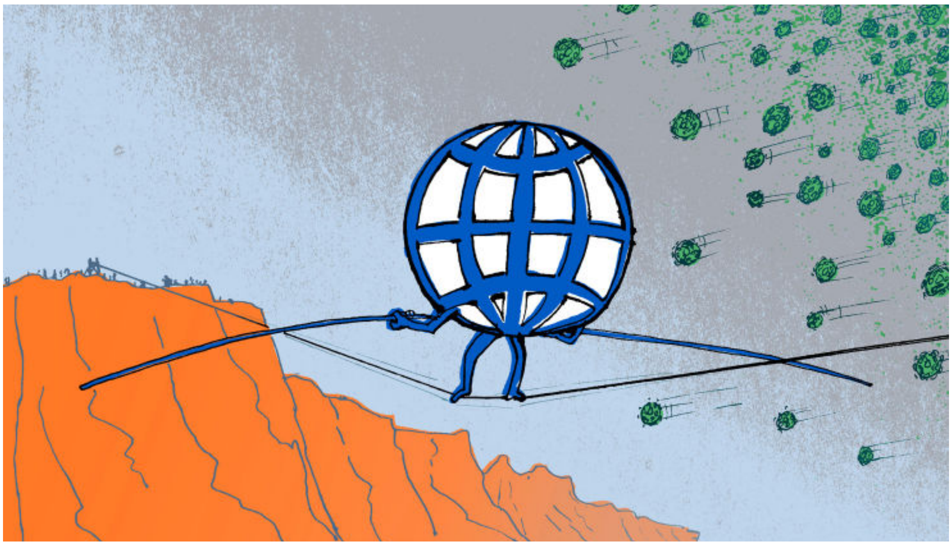
A quarterly critical review of developments at the World Bank and IMF

FINANCE analysis

COVID-19 crisis highlights urgency of reconsidering World Bank's MFD approach



In this issue

World Bank contributes to instability triggered by COVID-19 by pushing MFD

Expansion of MFD takes place despite lack of evidence of development impact

World Bank continues to ignore other available policy options

The global economy is on the verge of an event of similar to or of greater proportion than the 2008 financial crisis, as Eric Toussaint of the Committee for the Abolition of Illegitimate Debt (CADTM) noted in a March article on the CADTM website. He stressed, however, that, while triggered by the COVID-19 pandemic, the evolving crisis's origins are rooted in rising inequality, the increasing power of finance and other related dangerous distortions. The World Bank's Maximising Finance for Development (MFD) approach (see *Observer* Summer 2017), founded on privatisation and financialisation, is both a reflection of and a contributor to the underlying dynamics of the current instability. Supporting Toussaint's argument, the 2019 UN *World Economic Situation and Prospects* report noted that global economic growth was at, "the lowest rate since the global financial crisis of 2008-2009," adding, "The world economy is plagued by risks that threaten financial stability." As UK-based civil society organisation (CSO) Jubilee Debt Campaign's March call for a moratorium on debt payments for poor countries most affected by COVID-19 and for the cancellation of their debt to the IMF stressed, these will be hardest hit by the crisis. The link between the unequal impacts of the COVID-19 crisis and preceding trends can be seen in a March 2018 *Development and Change* journal article by Pablo G. Bortz and Annina Kaltenbrunner. It stressed that financialisation – which underpins MFD – has exacerbated "the subordinated position of DEEs [developing and emerging economies] in the international economic and financial system and...contributed to uneven international development." In light of these concerns and the IMF's January research demonstrating that, after a certain point, the size of the financial sector contributes to inequality and thus to financial instability, questions about the consequences of the proposed reliance on leveraging private finance to fund the Sustainable Development Goals (SDGs) are paramount.

Expanding implementation of MFD

The MFD agenda is premised on enticing trillions of 'idle' private sector dollars to invest, and profit from, activities with positive development outcomes. This is to be done through a series of de-risking activities and instruments, including privatisation, the creation of new asset classes through public-private partnerships (PPPs) (see *Observer* Summer 2018), guarantees, and the creation of business friendly environments along the lines of the Bank's much-criticised *Doing Business Report* (see *Observer* Winter 2018). According to Daniela Gabor of the University of the West of England Bristol, MFD represents an effort to implement the 'Wall Street Consensus' by "reorient[ing] financial systems towards market-based finance and to forge the de-risking state," where the state and the public assume the risks of private sector investments through guarantees and other subsidies.

While MFD is officially being 'piloted' in nine countries, its implementation is diffuse within the World Bank and has been widely adopted by the international community more broadly through the Agenda 2030. Jomo Kwame Sundaram and Anis Chowdhury, for instance, noted in a March 2019 *Inter Press Service* article that the World Bank, "has successfully legitimized the notion that private finance is the solution to pressing development and welfare concerns." Given the Bank's long-held belief in the superiority of market solutions, MFD's emphasis on creating markets is better understood as an evolving and more programmatic encapsulation of an existing model (see *Observer* Winter 2018; *Update* 81). This approach is being increasingly integrated into country-level planning, with the World Bank noting it, "has diagnostic tools to support MFD...[including] the Country Private Sector Diagnostic (CPSD), which takes an investor perspective in reviewing all economic sectors to identify opportunities for action to spur private sector-led growth."

Ignoring risks

The negative impact of key elements of MFD are well documented (see *Observer* Winter 2019, Autumn 2019, Spring 2017). A 2018 civil society report demonstrated that in the case of PPPs, another key element of MFD, it is invariably the state – rather than private investors – that typically underwrites the risk under PPP arrangements (see *Observer* Summer 2018). The negative and gendered impacts of the World Bank's development policy lending have also been extensively detailed (see Briefing *The World Bank and gender equality Development Policy Financing*). A 2018 open letter signed by over 110 academics detailed MFD's many structural flaws, stressing that its promotion of shadow banking to create investable opportunities in essential services such as water, health and infrastructure can have long-term negative consequences for equity in service provision.

While not formally categorised as an MFD project, the perils of MFD's reliance on enticing private investment, and particularly foreign direct investment at any cost, are made clear in a February report by the Netherlands-based CSO, SOMO, on Mongolia's Oyu Tolgoi copper mine. The report stressed that with support from the World Bank and IMF, in 2009, "Mongolia signed an Investment Agreement for the Oyu Tolgoi Project that privileges 'western' corporate interests by offering generous corporate oriented incentives that do not fill public coffers."

Exaggerating benefits, overlooking alternatives

Despite MFD's claims to effectively use public funds to leverage private sector investment for development outcomes, recent research has demonstrated that its promises are exaggerated. An April 2019 report from UK-based think tank, the Overseas Development Institute, noted that blended finance is unlikely to meet the SDGs financing gap and, "risks undermining the poverty eradication agenda in the poorest countries." UK-based CSO Stamp Out Poverty's report in April 2019 similarly questioned lofty projections of the ability of public money to leverage private sector finance for development and noted that, "The false promise may detract...from other useful policy measures, such as focusing more efforts on mobilising domestic tax revenues or fighting tax avoidance instead."

Within that context, many have argued that more egalitarian financing alternatives with fewer risks are available. The 2017 ILO, UN Women and UNICEF report on fiscal space for social protection, for example, provides eight options to expand fiscal space to finance the SDGs. UK-based CSO Christian Aid's 2019 *Trapped in Illicit Finance* report stressed that, "Governments are constrained in their resources because they tolerate widespread tax evasion and avoidance...This report estimates that public revenue losses from IFFs [illicit financial flows] amount to around $416bn every year."

Concerns about MFD therefore go beyond its exaggerated claims to contribute to development outcomes and are centred on the fact that it is a new and possibly more dangerous incarnation of pre-existing and widely-criticised policies. Patrick Bond from the University of the Western Cape, traces the Bank and Fund's current approaches to their promotion of Washington Consensus policies after the 1980s debt crisis (see Briefing *Bretton Woods at 75, A series of critical essays*). As noted above and outlined in the 2017 UNCTAD *World Trade Report*, the financialisation inherent in MFD has already had significant and long-term consequences, contributing to inequality, financial instability and perpetuation of the subordinated position of the Global South in the world economy. These are precisely the underlying conditions that make the evolving global economic crisis triggered by COVID-19 significantly worse. In light of the considerable risks, it is imperative that the Bank ceases its push for MFD and instead focuses on strengthening state capacity to meet equitable and ecologically sustainable development objectives through well-documented policy alternatives.

bit.ly/MFD_COVID

ACCOUNTABILITY news

Long-awaited accountability reforms announced by World Bank board

On 9 March, the World Bank board approved a package of reforms for the Inspection Panel (IPN), its independent accountability mechanism (IAM), concluding a lengthy review process that began in 2017.

The package includes measures for the IPN to be given an independent dispute resolution function, powers to monitor management action plans and an extension of the timeline for affected communities to file complaints. These reforms reflect long-standing civil society calls for the World Bank to raise accountability standards in line with the IAMs of other development finance institutions (see *Observer* Winter 2018). The package also includes the creation of an accountability office, called the World Bank Accountability Mechanism, which will include the IPN and the new dispute resolution office.

The board's decision in March, which was initially expected in October last year, followed a two-year deadlock between board members over proposed reforms (see *Observer* Winter 2019).

Civil society organisations issued a joint statement in response in March, stating that they "cautiously welcome" the reform package, but stressed that its effectiveness remained dependent on the World Bank's "commitment to ensuring the independence of the new Accountability Mechanism."

bit.ly/IPN-reforms

RIGHTS commentary

World Bank must support rigorous independent monitoring of discrimination against girls in Tanzania

by Maria Sarungi Tsehai, Change Tanzania

Board approves $500 million Tanzania education loan

Civil society remains concerned about grave human rights violations

On 31 March, the World Bank board approved a $500 million loan for Tanzania's Secondary Education Quality Improvement Program (SEQUIP), following a year and a half of controversy over fears the loan would consolidate and institutionalise an education system that actively violates the human rights of schoolgirls. While the Bank made important commitments to ensure its financing does not actively support discrimination, rigorous monitoring will be required to ensure that pregnant schoolgirls' fundamental right to equal access to a quality education is fulfilled.

In 2017, Tanzania's president, John Magufuli, declared that pregnant schoolgirls should be permanently expelled from school. This order came on the heels of a well-documented pattern of human rights abuses that has threatened independent civil society voices and many of the most vulnerable groups in the country. In response, the Bank suspended all lending to Tanzania in November 2018, including the $300 million SEQUIP project focused on secondary education, and agreed to release the loan only once the government allowed pregnant schoolgirls back to school after they have given birth. Rather than address the expulsion of schoolgirls directly, the Bank proposed to expand existing adult education centres, renamed "Alternative Education Pathways", and inflated the loan amount to $500 million.

The revamped SEQUIP project did not reflect the opinions of Tanzanians about pregnancy and school. Tanzanians' primary complaint was that the "Alternative Education Pathways" proposed by the Bank created and legitimised a second-class education system that was separate and unequal. While the Bank claimed that girls could re-enter regular school in Form 4 or 6, less than 10 per cent of these students ever go on to complete these higher levels of school, making the path to re-entry very narrow indeed.

Over 10,000 citizens – mostly from Tanzania and other sub-Saharan African countries, signed a petition demanding that the World Bank board withhold its support until the ban on pregnant schoolgirls is lifted. In addition, a group of civil society members, who chose to remain anonymous for fear of reprisals, wrote multiple letters to the Bank board asking for further postponement to reflect on concerns.

Meanwhile, reports on forced pregnancy testing of schoolgirls continued to emerge. Forced testing, which is far too common in Tanzania, is the inevitable consequence of a government policy of expulsion. Even while the Bank's board was weighing up project approval earlier this year, headteachers and educational officers in the Dodoma district were instructed to regularly perform pregnancy tests of girls in all primary and secondary schools. In most cases, these are physically intrusive tests that effectively amount to sexual assault.

After being delayed twice, the board finally approved the revamped project, despite the United States voicing its concern and voting "no".

The good news

Most strikingly, in its factsheet on the approved loan, the Bank claims that "there is no government policy that states that students who become pregnant must be expelled from public schools." Until now, girls have been expelled under the government's 2002 education regulation no. 295, called "Expulsion and Exclusion of Pupils from Schools," using Rule 4(b) and (c) that allows expulsion for "an offence against morality". The new arrangement with the Bank seems to indicate that the government agreed it will no longer expel pregnant girls based on this regulation. Civil society can use this to its advantage by actively monitoring expulsions and reporting them to the Bank.

Another important victory has been a government guarantee to the Bank that the practice of compulsory and involuntary pregnancy testing is not part of any official policy and a commitment to halt the practice.

The bad news

The Bank's documents refer to the programme as a method to support so-called "drop-outs", not expelled girls. We therefore remain cautious about whether the government will actively work to end expulsions and whether the World Bank will actually act upon receiving reports that girls are still being denied schooling. Also, what seems to be clearly missing in the agreement is an assurance on independent monitoring mechanisms, protected by the Bank, that could ensure that SEQUIP activities are delivered without discrimination. Without these mechanisms, there would be no way for the Bank to get reliable information about the performance of the loan in the severely restricted civic space of Tanzania.

Finally, the Bank has a duty, under its Environmental and Social Framework (ESF), to ensure that all its projects promote equality and non-discrimination by improving access to services for all traditionally marginalised and disadvantaged groups.

If the Bank's financing is used to support institutions that discriminate against pregnant schoolgirls, not only will it be in violation of its own ESF, making an Inspection Panel case inevitable, but the Bank will also be complicit in grave human rights abuses. More needs to be done to ensure that pregnant schoolgirls are not forced into "separate but unequal" "Alternative Education Pathways".

bit.ly/TanzaniaSchools

Photo: Ron Rieckenberg

Msaranga Secondary School, Moshi, Kilimanjaro Tanzania classroom.

FINANCE news

World Bank pandemic bond instrument fails in COVID-19 response

The ongoing coronavirus (COVID-19) outbreak is once again challenging the effectiveness of the World Bank's Pandemic Emergency Financing Facility (PEF).

PEF, launched in 2017 after the 2014 Ebola outbreak in West Africa, was touted as an innovative mechanism to potentially "save millions of lives and entire economies," by rapidly mobilising finance to low-income countries facing pandemics and placing some risk onto financial markets, rather than governments' budgets.

However, PEF criteria have long been criticised for making the mechanism slow and complicated. The facility, which relies on a series of pay-out 'triggers', only releases funds once there have already been a certain number of cases, deaths and countries affected by an outbreak.

In an article in UK newspaper *The Guardian*, Bodo Ellmers, of US-based civil society organisation (CSO) Global Policy Forum, noted, "The scheme's 'fundamental flaw' is that it was aimed at preventing a pandemic but would only pay out when a pandemic was already underway." A clear example is the Democratic Republic of Congo, where, a year after the second Ebola outbreak in 2018, funds were yet to be released as the disease had not spread across international borders, one of the requirements for PEF bonds to be triggered.

A 2017 paper by Clare Wenham of the London School of Economics highlighted that, out of 60 pandemic cases studied, PEF would only have been triggered on two occasions. Meanwhile, by mid-2019, it had paid $114.5 million to private investors as coupons, suggesting that it seems "to be serving private investor interests more than contributing to global health security." At time of writing, no country has received PEF funds to prepare for the COVID-19 outbreak. While the funds are likely to be triggered soon with the COVID-19 crisis evolving very rapidly, the delayed response has prevented PEF from enhancing developing countries' ability to respond to the crisis.

This comes in the context of IMF-imposed fiscal consolidation and the Bank's use of public-private partnerships as one of the main policies to expand healthcare privatisation – linked to cuts in social spending and private sector involvement – weakening countries' health systems. These have eroded states' capacity to react to health crises such as COVID-19, as argued in a report produced by the Citizens for Financial Justice project in 2019 (see *Observer* Autumn 2018, Spring 2017, Winter 2015).

On 3 March, the World Bank announced a package of up to $14 billion to assist countries to immediately respond to the COVID-19 crisis. The IMF also released a statement on 4 March, announcing that it "is making available about $50 billion through its rapid-disbursing emergency financing facilities for low income and emerging market countries that could potentially seek support [in dealing with the COVID-19 outbreak]," emphasising that the necessary "health spending must occur regardless of how much room in the budget a country may have."

bit.ly/COVID-19PEF

PRIVATE SECTOR news

Myanmar deemed rising Doing Business star, but at what cost?

Myanmar, most recently in the news due to UN allegations of human rights abuses against its minority Rohingya populaton and renewed conflict in the Rhakine region, was deemed one of the top 20 performers in the World Bank's 2020 *Doing Business* Report (DBR) (see *Observer* Winter 2018; Inside the Institutions, *World Bank's Doing Business report*), moving to 165 from 171 of the 190 countries analysed.

The DBR's lack of contextual and conflict analysis is not only worrying in the case of Myanmar. It seems at odds with the Bank's new Fragility, Conflict and Violence Strategy, which is particularly concerning given the World Bank's increasing emphasis on fragile states (see *Observer* Autumn 2019).

As underscored in a February 2019 journal article by Jason Miklian "[Myanmar's] economic opening has exacerbated ethnic tensions", adding that gains from it, "have primarily benefited existing local elites as most new investments require local partners who hold high-level roles in Myanmar's political-military nexus." This must be seen in light of the military's alleged role in massive human rights abuses, including the displacement of an estimated 800,000 Rohingya.

According to an October 2019 article in online Myanmar-based newspaper *The Irrawady*, "The Myanmar government set the ambitious goal of reaching the top 100 of the index for 2020," highlighting that it "aims to attract more than US$200 billion (305.7 trillion kyats) in investment from businesses over the next 20 years."

While some of the steps lauded in the DBR, such as improvements in the water and sanitation infrastructure can hardly be criticised, the focus on attracting foreign direct investment (FDI), including through changes in the process by which state land is leased, are potentially problematic. A March report by Netherlands-based civil society organisation Recourse on the lack of transparency in Myanmar's public-private partnership Myingyan power plant provides a cautionary tale.

The challenges created by the country's focus on FDI, including those linked to the principally Chinese-backed Belt and Road Initiative, are cited in a February report by the United States Institute for Peace. It highlighted that, "major infrastructure projects in Myanmar are likely to occur in or adjacent to the country's conflict areas", adding, "the presence of competing armed forces, the lack of basic infrastructure and connectivity with the rest of the country, and large ungoverned areas...will provide fertile ground for development projects to trigger unrest and violence." As Christopher Cramer argued in his 2006 book *Civil War is Not a Stupid Thing*, the political economy of conflicts is complex and influenced by numerous variables, including social economic relationships, all of which are impacted by economic transformations inherent in policies advocated by the Bank's DBR.

bit.ly/MyanmarDBR

INFRASTRUCTURE analysis

Ghana's Sankofa gas project – backed by World Bank – brings fiscal pain

Ghana left with $250 million bill for unused gas in 2019 due to 'take or pay' clause in PPP contract

Ghana's energy sector woes worsen debt outlook

African civil society calls on African Union leaders to "put an end to fossil fuel development"

Heralded as the key to Ghana's energy independence a decade ago, Ghana's offshore gas is rapidly becoming a fiscal burden amidst its debt crisis, raising questions about the World Bank Group's (WBG) role in Ghana's gas development.

A flagship public-private partnership (PPP) supported by the World Bank in Ghana, the Sankofa offshore gas project – which is backed by a total of $1.2 billion in WBG guarantees and debt financing – is an increasing fiscal burden. Under a 'take or pay' clause in the Sankofa contract between Ghana and private sector investors, the Ghana National Petroleum Corporation (GNPC) must purchase 90 per cent of a predetermined quantity of gas produced, whether it is able to use it or not. In 2019, the Ghanaian government's bill for 'unused gas' – primarily due to the 'take or pay' clause in the Sankofa contract – amounted to $250 million, due to a combination of lack of demand and associated infrastructure needed to offtake Sankofa's gas. The terms of the Sankofa contract were criticised by Ghanaian civil society organisation (CSO) the African Centre for Energy Policy (ACEP) as early as 2015 for being unfavourable to Ghana. More generally, CSOs have persistently raised concerns about the risks of the Bank promoting PPPs in developing countries (see *Observer* Winter 2017-2018). The Bank has announced it will stop providing finance for 'upstream' oil and gas projects like Sankofa beginning this year (see *Observer* Spring 2018).

Ghana's difficulties come at a time when the energy strategies of developing African states are being hotly debated, with 19 African CSOs, including Kenya-based Power Shift Africa and Pan-African CSO WoMin, releasing a communique during an African Union leaders summit in Ethiopia in February calling on African leaders to, "put an end to fossil fuel development.... and rapidly initiate a transition to clean and safe renewable sources of energy that fully supports access to energy for those who currently lack it."

Ghana's gas lock-in: A costly strategy that's failing to pave the way for renewable energy

The fiscal burden of gas in Ghana does not end with the unfavourable terms of the Sankofa contract. A series of power purchase agreements (PPAs) signed with electricity producers in 2015 have put Ghana's government at a further fiscal disadvantage. As summarised by online media outlet *Economist Intelligence Unit*, "the government entered long-term power-purchase agreements (PPAs) with private producers in 2015, for a total of some 2,300 MW, on the basis that the capacity would be paid for irrespective of demand. ...[Due to supply from PPAs outpacing demand,] the exchequer has been left with an annual bill of some US$500m for unused electricity." All told, due to contract obligations, Ghana is currently paying an eye-watering amount for both unused gas and unused electricity. These sectoral developments emerged as Ghana's debt levels reached over 60 per cent of GDP in 2019, with the World Bank stating in January 2020 that the country was at mid-to-high risk of debt distress. To make matters worse, the COVID-19 pandemic is expected to cause a budget shortfall in Ghana this year, due to a decrease in revenues from oil exports and tourism, according to a statement by Ghana's finance minister on 16 March.

Meanwhile, Ghana's gas infrastructure development is contributing to a net rise in Ghana's energy sector emissions. While gas investments have been justified by the World Bank and other supporters as a 'bridge fuel' to more sustainable energy use, excluding hydropower, renewable energy sources remained less than 1 per cent of Ghana's energy mix in 2019.

The World Bank: Handmaiden of Ghana's gas path dependency

It would be difficult to overstate the Bank's importance in facilitating Ghana's gas infrastructure expansion in recent years. As the Bank noted in the 2018 project appraisal document for a $20 million technical assistance loan, the WBG "has about US$2 billion of exposure in Ghana's energy sector," mostly in the country's oil and gas infrastructure. In 2015, the Bank helped facilitate the Sankofa PPP, providing two guarantees for the Sankofa gas project totalling $700 million. This included a $500 million payment guarantee from the International Development Association (IDA), the World Bank's concessional lending arm, covering the risks of GNPC not fulfilling its payment obligations under the Gas Sales Agreement with Eni and Vitol – the two private oil firms party to the Sankofa PPP. It also entailed a $200 million Enclave Loan guarantee from the International Bank for Reconstruction and Development, the World Bank's medium income lending arm, supporting project financing for the private sector by covering debt service defaults. In 2016, the International Finance Corporation (IFC), the Bank's private sector investment arm, provided $300 million in debt financing to help cover Vitol's stake in Sankofa, while the Multilateral Investment Guarantee Agency (MIGA), the Bank's insurance arm, provided commercial banks who helped finance Sankofa $217 million in political risk guarantees.

The Bank is also an investor in the 550 MW Takoradi 2 and 3 gas power plant in Ghana, which processes gas from Sankofa, with IFC providing $140 million in loans, and MIGA chipping in with a $88 million guarantee. Additionally, IFC provided $265 million in debt financing to investors in Ghana's Jubilee oil field (see *Update* 65), and IDA also provided a $50 million partial risk guarantee for the West African Gas Pipeline, which brings Nigerian gas to Ghana. Given the Bank's widespread exposure to Ghana's gas infrastructure lock-in, it is little surprise that the above-mentioned 2018 technical assistance programme was largely preoccupied with issues related to the gas sector, including a strategy for "balancing gas demand and supply." Efforts to support renewable energy were limited to a feasibility study of potential off-grid energy sources in the country.

bit.ly/GhanaWBG

Photo: Eni

A floating production, storage and offloading vessel for the Sankofa gas project, at its commissioning in 2017 in Singapore.

IFI GOVERNANCE news

Senior-level staff changes at World Bank and IMF

World Bank chief economist departs as IMF makes series of high-level appointments

In February, World Bank chief economist, Pinelopi Koujianou Goldberg, announced she would leave the Bank in March to return to Yale University, after less than 15 months in the job. This is the second early departure of a World Bank chief economist in a row, following Paul Romer's departure before the end of his term after publicly questioning the integrity of the Bank's flagship *Doing Business report* (see *Observer* Spring 2018). The position of chief economist has been an important link between the Bank's knowledge and lending roles, which have often been in tension. Yet, as noted in development news outlet *Devex*, according to former Bank chief economist from 2012 to 2016, Kaushik Basu, this role has been "eroded" in recent years, making it, "harder for the incoming chief economist to…act as an alternative, more genuine source of advice to developing country leaders."

A clear indicator of the role's diminishing influence is that the post will no longer directly report to World Bank president, David Malpass. Instead, they will report to the managing director of development policy and partnerships, Mari Pangestu, who was appointed in January. In November, Malpass also appointed a new chief executive officer (CEO) of the Multilateral Investment Guarantee Agency (MIGA), the Bank's guarantee arm. Hiroshi Matano, a Japanese national, formerly with BOT Lease, replaced Keiko Honda as MIGA CEO.

Meanwhile, across the street…

IMF Managing Director Kristalina Georgieva also seemed to be shaking things up, as the IMF announced in February that First Deputy Managing Director David Lipton would be leaving his position before the end of his term, "in the context of changes [Georgieva] will be making to the leadership team." In March, Georgieva proposed the appointment of Acting Assistant Secretary to the US Treasury, Geoffrey Okamoto, to the position, which has historically been held by a US national to offset a European IMF managing director (see Inside the Institutions, *What is the gentleman's agreement?*). Okamoto previously led the US Treasury Department's negotiations on trade with China, played a key role in increasing the IMF's New Arrangements to Borrow (see *Observer* Winter 2019), and helped establish the Women Entrepreneur's Finance Initiative (see *Observer* Summer 2019). In the same month, the IMF also announced the departure of Chief Administrative Officer and Deputy Managing Director Carla Grasso, "whose renewed term had started only five days before her departure was announced," according to *The Economist.*

In September last year, Robert Powell became the IMF special representative to the United Nations, a position previously held by Christopher Lane. The senior position is located in New York and represents the institutional connection for collaboration between the IMF and all UN bodies and other specialised agencies, which has come under severe scrutiny in recent years (see *Observer* Summer 2019, Winter 2018, Autumn 2017).

bit.ly/BWI-Staff

GENDER news

UN holds Pakistan to account for IMF programme impacts on women

IMF conditions risk pushing women back into poverty and informal work

In February, a member of the Committee on the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), the independent UN body tasked with monitoring the implementation of the CEDAW Convention, questioned the government of Pakistan about the impacts on women's rights of the $6 billion IMF loan agreed in July 2019 (see *Observer* Spring 2019). The Committee member argued that regressive taxation measures and the rising costs of services resulting from IMF-mandated fiscal consolidation targets, "have had devastating impacts on household costs and have pushed many women back into informal labour and poverty." The government was asked whether the impacts of the programme had been assessed from a gender perspective and whether measures had been taken to reduce harmful impacts on women's rights, other than the further targeting of existing social protection programmes (see *Observer* Spring 2018). In response, Bilquis Tahira with Pakistan-based civil society organisation (CSO) Shirakat – Partnership for Development, noted, "It is high time that civil society voices on women's economic rights are heard; that CSOs are included in IMF programme negotiations and reviews; and the current macroeconomic framework underpinning IMF loans be replaced with a feminist-informed macroeconomic framework."

In a shadow report submitted to the Committee, Shirakat and civil society partners reported that the latest IMF programme once again heavily relied on fiscal consolidation measures. The shadow report further pointed out that, in its Country Partnership Framework for Pakistan, the World Bank Group stipulated that additional policy loans are dependent on the completion of the IMF programme (see Briefing, *The World Bank and Gender Equality: Development Policy Financing*), adding additional pressure to fulfil the programme's conditions.

The intervention came on the back of a letter sent to IMF managing director, Kristalina Georgieva, in February on behalf of 67 civil society organisations working for gender equality and women's rights. The letter echoed the assertion of Committee, arguing that, "policies still commonly recommended in IMF surveillance and lending programmes…have exacerbated the feminisation of poverty." The letter called on Georgieva to institutionalise the IMF's recent recognition that its own policy advice can exacerbate gender inequality and to prioritise gender, inequality and poverty impact assessment work relating to the Fund's bread-and-butter macroeconomic policy advice (see Briefing, *The IMF and Gender Equality: Operationalising Change*).

bit.ly/PakistanWomenIMF

GENDER analysis


World Bank and IMF response to debt crisis undermines women's rights

by Iolanda Fresnillo, Eurodad and Verónica Serafini, Latindadd

Debt crisis continues to unfold in the Global South

IMF and World Bank responses cling to austerity and privatisation

New gender-sensitive debt resolution framework needed

A new debt crisis is unfolding, once again, in the Global South, now accelerated by the prospect of a global economic crisis amidst the COVID-19 outbreak. Faced with an increase in numbers of countries at high risk of or in debt distress, the World Bank and IMF continue to resort to the same decades-old neoliberal austerity measures focused on debt repayment. By doing so, they are not only risking advancement on the Sustainable Development Goals (SDGs), they are also aggravating the possibilities of economic recession and diminishing the prospects of economic recovery, further reducing countries' capacity to carry debt burdens. The austerity recipe means cuts in public services budgets and in public workers' salaries, which have specific impacts on gender inequality, as many women's rights groups have shown. While non-debt related government spending is reduced, the percentage of public revenue that goes into debt service payments increases. As the latest Eurodad *Out of Service* report shows, external debt payments as a percentage of government revenue grew in low- and middle-income countries from an average of 6.71 per cent in 2010 to an average of 12.56 per cent in 2018.

The push towards private management of public services, through outsourcing or the World Bank's promotion of public-private partnerships (PPPs), is also a consequence of the fiscal constraints imposed in the wake of debt increase in public finances (see *Observer* Spring 2019). PPPs rely on profit streams to ensure investors' returns, often prioritising profit over people and undermining quality and universal access to services. In short, PPPs, as continually promoted by the World Bank, are not more efficient in providing accessible and quality public services, and can generate debts that, sooner or later, and with little transparency, are incorporated into public balance sheets.

There is also evidence that privatisation, PPPs and outsourcing have had particularly negative repercussions for women. These measures often come with new or inflated user fees, which increases inequality by restricting access to services for women, who tend to have lower incomes. The search for benefits also leads in many cases to precarious working conditions for women in services outsourced or operated by PPPs. Finally, contrary to what their promoters argue, evidence shows that privately financed projects tend to be less cost effective than those financed through direct government borrowing, with PPPs costing the taxpayer up to six times more. Ultimately, therefore, these frameworks undermine the ability of the State to comply with its international human rights obligations to deliver quality public services.

World Bank and IMF should reconsider the recipe 25 years after Beijing

Twenty-five years after governments committed to reviewing macroeconomic policies from a gender perspective within the Beijing Declaration and Platform for Action (BPfA), the UN review and appraisal report, published in December 2019, on the application of the BPfA expresses the need to assess carefully the impact of privatisation and PPPs on women and girls, particularly those from poor and marginalised groups, and to establish accountability mechanisms to ensure quality, accessibility and affordability for all without discrimination.

Existing mechanisms to deal with debt crises often deliver "too little, too late" debt restructuring and relief, which are not only inefficient to prevent harmful social impacts, but further harm people's rights, especially women's rights. In the wake of a new debt crisis, intensified by the COVID-19 outbreak, we must redouble our efforts to demand a shift in the approach to debt resolution, towards timely and adequate restructurings that put people and equitable development first, and that comply with the 2030 Agenda on the SDGs and with international commitments to women's rights and gender equality. The approach should be further systematised by the establishment of a multilateral sovereign debt workout mechanism, to provide a rules-based approach for orderly, fair, transparent and sustainable debt crisis resolution.

This must involve a new understanding of debt sustainability that considers human rights, climate vulnerabilities and gender equality. It must account for the promotion of gender-sensitive public services that provide universal access and coverage, and that are publicly funded, delivered, and managed in a transparent, participatory and accountable manner, and are provided by public sector workers in decent work. In this sense, the ideologically-driven promotion of PPPs, especially by the World Bank, to finance and deliver public services should cease, and the IMF should put an end to the promotion of austerity through direct conditionality or surveillance, so that it shifts the burden of adjustment away from the most vulnerable in society, particularly women.

bit.ly/DebtCrisisGender

Photo: Pixabay

ACCOUNTABILITY news

World Bank board silent on Guatemala dam investigation review after February meeting

Board held unprecedented meeting on CAO Guatemala investigation

Civil society groups fear accountability concerns will not be addressed

In February, the World Bank's executive board met to review the investigation of the Compliance Advisor Ombudsman (CAO) – the accountability mechanism of the International Finance Corporation (IFC), the Bank's private sector arm – into IFC's role in the controversial Santa Cruz Barillas hydroelectric dam project in Guatemala (see *Observer* Spring 2014).

This marks the first time that the board has asked to review the outcome of a CAO case ahead of publication, as normally investigations are only reviewed by management of the World Bank Group before they are made public. At the time of publication, neither the CAO's investigation, completed in 2018, nor IFC management's action plan responding to the investigation, have been made public.

The board's February meeting took place amid the external review of the CAO (see *Observer* Winter 2019), after the US Supreme Court's 2019 ruling against IFC's claim of absolute immunity (see *Observer* Spring 2019). While some civil society organisations (CSOs) hope that this might set a precedent for greater accountability of the IFC, the board's silence following the meeting is cause for concern that IFC's role in causing grave harms is not being taken seriously.

Kate Geary from Netherlands-based CSO Recourse said, "This gives the board an opportunity to do the right thing: to ensure that any breaches of IFC standards found by the CAO are addressed effectively by IFC to remedy the harms that communities continue to suffer to this day."

In 2008, IFC provided $20 million in loans to, and a made a $9.9 million equity investment in, Latin American financial intermediary, Corporación Interamericana para el Financiamiento de Infraestructura (CIFI), which financed Hidro Santa Cruz to build the hydroelectric dam.

While the dam was under construction, Hidro Santa Cruz was linked to alleged human rights violations of the local residents of Santa Cruz. Many in the local Q'anjob'al community considered a waterfall impacted by the project to be sacred and claimed that the company had violated their right to free, prior and informed consent.

In 2014, Guatemalan CSO, the Departmental Assembly of Huehuetenango (ADH), publicly denounced the company, stating that its actions had "resulted in the persecution, intimidation, and co-opting of community leaders," and accusing the Bank of being complicit in human rights violations. In 2015, CSO Oxfam supported local communities in Guatemala to file a case to the CAO, following the inclusion of the case in its publication *The Suffering of Others*, published in the same year.

The complaint to the CAO alleged that opposition to the project was met with violence and repression by the company and the government. During the state of emergency declared by the government in response to resistance, dozens of community organisers and leaders were arrested and detained. The project was stopped in 2016, one year after the complaint was submitted.

bit.ly/GuatemalaDam

RIGHTS news

Civil society launches framework to assess human rights impact of health privatisation

The Global Initiative for Economic, Social and Cultural Rights (GI-ESCR) launched a new report in December 2019 setting out a preliminary framework for human rights impact assessments to evaluate the consequences of private sector activity for the right to health.

As reconfirmed by the report, the World Bank has long been criticised for its push to privatise health services, including through public-private partnerships, which have been "found to weaken the budgets of public health services" (see *Observer* Spring 2020, Spring 2017). Additionally, IMF conditionality attached to loan programmmes have also negatively impacted the most vulnerable and undermined human rights through imposed austerity measures and prioritisation of debt repayment (see *Observer* Autumn 2018, Winter 2015).

In 2018, the UN special rapporteur on extreme poverty and human rights condemned the widespread privatisation of public services as, "systematically eliminating human rights protections and further marginalising those living in poverty" (see *Observer* Winter 2018).

The GI-ESCR report goes beyond more generalised criticisms (see *Observer* Spring 2017). It sets out a human rights framework to assess the harm private sector projects cause and the obligations of States to prevent these harms under international human rights law.

bit.ly/GI-ESCRhealth

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