World Bank support to Covid-19 vaccination fails to address fundamental barriers to equitable access

The World Bank announced in October 2020 that it would make $12 billion available to assist “developing countries to finance the purchase and distribution of COVID-19 vaccines, tests, and treatments for their citizens.” The package is part of its $160 billion pandemic support running to June 2021, which goes beyond healthcare, as outlined in the World Bank’s June 2020 Covid-19 Crisis Response Approach Paper. A World Bank factsheet noted that the first vaccine programmes were approved in January and included Lebanon, Cabo Verde, Mongolia, and Tajikistan.

While the World Bank’s quick Covid-19 response and $12 billion vaccine assistance programme have been welcomed, there are concerns its impact will be significantly compromised if key shortcomings of its wider Covid-19 response are not addressed. In December 2020, Oxfam analysed 71 project documents linked to the World Bank’s COVID-19 Strategic Preparedness and Response Program, which has a wider remit than the vaccine initiative and aims to assist countries “to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.” The analysis identified the lack of attention to free healthcare access as a “fatal flaw”, noting that “just 8 of the 71 World Bank COVID-19 health projects include any plans to remove financial barriers to accessing health services...[and] none of the 8 specify that fee waivers will cover all health services as the WHO recommends.” The report underscored that despite a pre-existing global shortage of 17.4 million health workers, “two-thirds of country projects do not include any plans to increase the number of health workers, and that the 25 projects which do, have substantial shortcomings.” Oxfam called on the Bank to remove user fees in projects, redress gaps in support for health workers and cancel debt repayments on its loans.

Adding to those concerns, Allana Kembabazi of the Uganda-based Initiative for Social and Economic Rights stressed that, “Countries like Uganda that have already borrowed to mitigate the pandemic...can’t afford more loans. The World Bank in true solidarity should only provide grants to support COVID vaccination and strengthen public health systems, which are the first point of call for the poor.”

World Bank support part of wider global shortcomings

The World Bank’s efforts complement the COVID-19 Vaccine Global Access (COVAX) initiative, which is one of the three pillars of the Access to COVID-19 Tools (ACT) Accelerator, launched in April 2020 by the World Health Organization (WHO), the European Commission and France in response to the Covid-19 pandemic.
COVAX, which is coordinated by the WHO, the Coalition for Epidemic Preparedness Innovations (CEPI) and Global Alliance for Vaccines and Immunization (GAVI), acts as a vaccine purchasing mechanism and negotiates deals with vaccine manufacturers. The mechanism is funded by donations from richer nations and does not require contributions from the world’s poorest countries. Concerns were outlined in a May 2020 brief by the East Central and Southern Africa Health Community (ECSAHC) and the Regional Network for Equity in East and Southern Africa (EQUINET) about the initiative, including its time-bound nature and the potential subordination of the WHO’s role by philanthropies more aligned with the interests of the pharmaceutical industry. The scheme aims to have 2 billion vaccine doses available by the end of 2021, which falls far short of achieving the 70 per cent global immunisation rate deemed necessary by the WHO. According to the BBC, COVAX has raised $6 billion to date and requires at least an additional $2 billion to meet its 2021 target.

As the world surpassed 2.5 million deaths attributed to the pandemic, UNAIDS Executive Director Winnie Byanyima was blunt in her assessment of the situation in a January article for UK newspaper The Guardian, stressing that, “Nine out of 10 people living in the poorest countries are poised to miss out on a vaccine this year,” and that, “the vaccine science, knowledge and technology, paid for in large part by more than $100bn of taxpayers’ money, can no longer be treated as the private property of pharmaceutical corporations.” A December 2020 article by online news outlet The Intercept noted that pharmaceutical company Pfizer is expected to earn $19 billion in revenue from the vaccine in 2021 with a profit margin estimated at between 60 and 80 per cent. A February EQUINET brief pointed out that meeting Africa’s vaccination target is estimated to cost “between US$8 billion and US$16 billion, with an additional 20-30% required for delivery and administration.”

As early as May 2020, more than 140 world leaders and experts signed an open letter calling for a people’s vaccine and demanding, “the rapid establishment of an equitable global manufacturing and distribution plan for all vaccines, treatments and tests that is fully funded by rich nations and which guarantees transparent ‘at true cost prices’.” The call for equitable distribution and sharing of technical knowhow has a long history, with the 1974 UN General Assembly Declaration on the Establishment of a New Economic Order premised on the understanding that, “the benefits of technological progress are not shared equitably by all members of the international community.” It called for developed countries to “promote the transfer of technology and the creation of indigenous technology for the benefit of the developing countries.”

The Bank’s support fails to address structural barriers to equitable access

Beyond the critiques specific to implementation of the the World Bank’s Covid-19 response, at a fundamental level, it fails to address long-standing structural obstacles to equitable access to vaccines: the lack of indigenous production and distribution capacity, linked to decades of deindustrialisation and the barriers posed by intellectual property rights protection. As Director of the Africa Centres for Disease Control and Prevention, John Nkengasong, highlighted in a January interview with news outlet The Africa Report, Africa “still depends on importing more than 99% of its vaccines and therapies.” Policies promulgated by the Bank and Fund, as demonstrated by Cambridge University economist Ha-Joon Chang, have constrained the use by countries in the Global South of the very policies used by industrialised states to develop their capacity to achieve a high degree of concentration in the development and production of pharmaceuticals, including vaccines (see Observer Winter 2017-2018, Observer Spring 2016). The World Bank’s support for this unequal capacity of vaccine production and distribution is evident from its silence on the demand by 100 countries for a waiver of some aspects of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, to increase access to vaccines, drugs, and medical technologies needed to prevent, contain, or treat COVID-19, which was once again defeated on 11 March. The World Bank seems happy to ignore the lessons of the HIV and AIDS epidemic, where the manufacture of generic antiviral drugs in developing countries was pivotal in enabling a dramatic decrease in price and increase in access. As explained by Benjamin Hunter and Susan Murray in their June 2019 article in academic journal Development and Change, the World Bank, rather than contributing to robust public health systems and expansion of local production and distribution capacity, has been a strong promoter of the financialisation of healthcare (see Observer Winter 2020, Observer Spring 2017; Update 66). The Bank’s failed Pandemic Emergency Financing Facility (PEF) bond is a clear case in point (see Observer Autumn 2020).

While Reuters news agency reported in January that World Bank President David Malpass stated that Bank officials are “working with countries to address…rules that leave vaccine makers open for lawsuits or judgments”, the Bank’s lack of support for enhanced distributed local production, the TRIPS waiver and lack of action on vaccine pricing are deeply problematic. The Bank’s support fails to address the costs and other structural barriers associated with the vaccination efforts and may in fact exacerbate the debt load of some countries.

In the absence of concerted multilateral action, strongly supported by the World Bank and IMF, developing countries will be left with no choice but to respond to the Covid-19 crisis by borrowing to fund vaccine purchases and cutting essential services or support for vulnerable communities, while pharmaceutical companies continue to reap the rewards.

Follow BWP’s World Bank and IMF 2021 Spring Meetings Dispatch

World Bank and IMF governors will meet during the 2021 Spring Meetings which take place virtually from 5 to 11 April. The Civil Society Policy Forum (CSPF) will take place from March 22 to 11 April. The Bretton Woods Project will provide analysis of the virtual ministerial meetings’ communiqués, notes from CSPF seminars and more on BWP’s Dispatch page.

Key themes to be discussed include the international financial institutions’ approach to key challenges hindering countries’ response to and recovery from the Covid-19 crisis, particularly debt distress, discussions around the IMF’s Special Drawing Rights and vaccine inequality.

For additional online content for this issue of the Observer, see brettonwoodsproject.org/observer

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Latin American Indigenous Peoples call on World Bank to safeguard their rights

Guest analysis by Denisse Linares, Derecho Ambiente y Recursos Naturales

Rights of Indigenous Peoples in Latin America under threat

World Bank-financed projects have contributed to violations of indigenous rights in the region

The World Bank Group (WBG) is one of the main financiers in Latin America. In 2020, the region received $12.8 billion from the Bank in response to the Covid-19 pandemic, and expects to provide up to $160 billion globally over a 15-month period – ending in June 2021 – to address the health, economic and social crisis resulting from the pandemic.

Historically, World Bank loans have contributed to correcting the region’s structural domestic savings deficit, either through direct financing of projects and programmes, or through the mobilisation of other sources of public and private financing. These programmes have not been without controversy. For example, in Brazil, according to a 2005 Forest People’s Programme report, the support provided by the World Bank to development plans in the Amazon generated land grabbing and higher death rates among Indigenous Peoples affected by diseases introduced.

Indigenous Peoples have been among the most affected by the Bank’s loans. Due to the negative social and cultural impacts caused by extractive and infrastructure projects financed by the World Bank, greater measures are now required to reverse rights violations, by recognising indigenous rights within the Bank’s policies. Brazil was particularly affected by the pandemic, with at least 930 indigenous people dying from the virus.

Indigenous Peoples face situations of violence, exclusion and discrimination that threaten their human rights. The killing of Indigenous Peoples continues to occur as a result of development projects, including those funded by the World Bank. This is the case, for example, of the two leaders of the Cocomobo people in Peru; as well as the Indigenous Reservation Awá, Piquampi, Palangola in Colombia, where ten leaders were assassinated in 2021.

These situations have occurred in areas of territorial disputes, where World Bank-financed projects have also been linked to the violation of indigenous rights, especially the right to participation and consultation. Violence has escalated in the face of heightened vulnerability, evidenced by the structural failures of States. In Peru, in 2008, the Ashaninka leader Edwin Chota denounced the timber trafficking in the Ucayali region in the local courts, and requested personal guarantees for him and three other Saweto community leaders, as they had discovered a series of irregularities in the role of various public officials responsible for investigating the initial complaint. After no protection was provided, in 2014 the four leaders were assassinated.

The rights of Indigenous Peoples are recognised in international instruments such as ILO Convention 169 and the UN’s Declaration on the Rights of Indigenous Peoples. Yet, the World Bank’s social and environmental policies do not have a specific policy on human rights, and even less on indigenous rights, despite the serious situation in which Indigenous Peoples find themselves (see Observer Winter 2016).

In turn, indigenous participation has been limited by the Bank generating guidelines without the voice of the people themselves. According to professor Rodrigo Navarete of the Universidad Austral de Chile, this, together with the Bank’s participation in the development of public policies in the region, makes the “World Bank a key element in understanding the place and status that governments assign to indigenous demands, generally reducing and limiting them to problems of ethnic poverty and the targeting of social policies to make them participants in the type of development advocated by the Bank.”

What protection mechanisms do indigenous people propose?

Considering this context, Indigenous Peoples of the region have put forth proposals to improve their situation, including:

1) Adoption of prior consultation protocols: These are documents developed by Indigenous Peoples with experience implementing consultation protocols in countries such as Honduras, Nicaragua, Brazil and Argentina. They represent a step forward in strengthening indigenous rights in the region from the perspective of the communities. The consultation protocols were included in the framework of the new Environmental and Social Policy of the Inter-American Development Bank (IDB). This request was presented by the Indigenous umbrella organisation Coordinator of the Amazon Basin (COICA) and its groups within the Inter-Ethnic Association of the Peruvian Jungle during the IDB’s public consultations in 2020.

2) Reinforce and support the ratification and implementation of the Escazú Agreement: The Agreement aims to guarantee “the rights of access to environmental information, public participation in the environmental decision-making process and access to justice in environmental matters” in the region. Gregorio Miraval, president of COICA, points out that the Agreement’s ratification presents challenges such as “guaranteeing the political will to respect its content and nature against the interests of extractive companies and monoculture plantations and the relaxation of environmental regulations.” The policies of the Bank must guarantee compliance with the Agreement, to contribute to reversing the dangerous situation in which indigenous leaders find themselves.

3) Develop and implement guidelines for situations of risk: The Bank must generate guidelines for situations of risk and danger to the life and integrity of Indigenous Peoples to prevent the intensification of illegal activities due to the projects it finances. Such measures must be developed in conjunction with communities and States.

These proposals can contribute to improving the situation of Indigenous Peoples but are not sufficient. The policies and actions of the World Bank must be based on Indigenous Peoples’ own proposals, which should be actively sought.
The World Bank’s investments in the Great Green Wall: A desert mirage?

World Bank commits to invest $5 billion in the Great Green Wall over the next five years

IEG evaluations of Bank’s existing projects in Sahel raise questions about effectiveness

Multidisciplinary evidence challenges narrative of Sahara’s southward spread – which provides rationale for intervention

At the One Planet Summit for Biodiversity on 11 January, World Bank President David Malpass announced a major new World Bank Group financing commitment in Africa’s Sahelian drylands, which adjoin the southern edge of the Sahara desert, totalling $5 billion over the next five years. As the Bank’s press release noted, the investments will ostensibly serve, “to help restore degraded landscapes, improve agriculture productivity, and promote livelihoods across 11 African countries on a swathe of land stretching from Senegal to Djibouti.” The investments are embedded in a larger initiative – the Sahel’s Great Green Wall, which was first announced in 2007. The Bank’s new commitment was part of $14 billion pledged to the Great Green Wall initiative at January’s One Planet Summit by France and other donors.

As noted in a January blog by Ian Scoones of the UK-based Institute of Development Studies and Camilla Toulmin of the International Institute of Environment and Development, the initiative is certainly “grandiose” in scale: “Stretching across 8000 kms and 100 million hectares,…the advancing deserts of the Sahara are to be rolled back through the planting of trees and greening of landscapes across the Sahelian region. …Visible from space and pronounced a wonder of nature, the symbolism of a wall reversing environmental degradation, quelling insurgency and conflict and stemming the flow of migrants is dramatic.”

However, important questions remain about the underlying development rationale of the initiative, which have been echoed by findings from the Bank’s own Independent Evaluation Group (IEG) in its evaluations of existing Bank investments in the Sahel.

The Great Green Wall: A continuation of colonial (mis)interpretations

As Scoones and Toulmin outline, scientific theories regarding the Sahara’s southward expansion first emerged during the European colonial era – and were later proved erroneous. They note, “in 1934 colonial scientist…E.P. Stebbing first claimed that the Sahara was expanding year on year. This was based on faulty analysis, but at the time it fed into the doomsday idea of environmental degradation…. Huge efforts were made in top-down soil conservation measures along with the regulation of farming and livestock-keeping populations.”

The narrative of southward-spreading desertification in the Sahel has persisted, often providing the rationale for foreign-funded interventions. However, as Scoones and Toulmin point out, an emerging body of evidence shows that the Sahel defies such simplistic explanations: “Dryland degradation emerges through a complex interaction of processes, and does not expand in a single direction. Satellite imagery and archaeological evidence from these dryland regions show wet and dry periods, with the greening and drying of landscapes occurring in phases over time. These are highly variable settings, where attempts at stability and control are futile, and livelihoods are best served through diversification, risk spreading and mobility.”

IEG analysis raises critical questions

A January blog by the IEG provided an overview of its evaluations of the Bank’s involvement in the Great Green Wall to date, via the Sahel and West Africa Program in Support of the Great Green Wall Initiative (SAWAP). While not an evaluation of all of the World Bank-funded projects under SAWAP, IEG presented the sample as indicative of some of the lessons learned from the initiative thus far.

While the IEG stated that SAWAP has been a “technical success”, apparently increasing vegetation cover and resulting in land rehabilitation in project sites, this comes with the caveat that, “a precise understanding of the change in vegetation cover across the Sahel, attributable to donor investments in the Great Green Wall, has been limited because of an underinvestment in measurement (e.g. a normalized difference vegetative index to measure the change in vegetation, recommended through a regional project by the World Bank at the beginning of the SAWAP, was never implemented).” And, importantly, none of the World Bank projects estimated the effect of changing rainfall patterns on the greening effects.”

The IEG also highlighted other issues with World Bank-financed SAWAP projects. These included, “the use of area enclosures – a land management practice that seeks to restore degraded land by excluding livestock and humans from openly accessing it in the short to medium term – [which] runs the risk of exacerbating vulnerability” of those reliant on communal lands.

The blog added that, in some cases, projects are worsening localised inequalities: “Increasing the value of degraded land, as was done by the Great Green Wall initiative, changes the decision-making calculation of land users – with enhanced farm value, these lands can be predated upon by elites, and can lead to encroachment by non-traditional farmers which risks displacing the local population.” It continued, “Because land restoration mainly benefits those that have access to land, some women and youth are especially disadvantaged in the Sahel.”

Greening the Sahel from below?

The IEG’s evaluations show the potential pitfalls of the Great Green Wall initiative – including the danger that a fixation with big-ticket funding commitments and tree-planting targets may ride roughshod over delicately balanced local practices of land use in the Sahel undertaken by farmers, pastoralists, and others.

As Scoones and Toulmin stressed, “Climate change can become a catch-all explanation for failures in governance, while in the Sahel security and counter-terrorism agendas can get wrapped up with development…. Too often, decisions are made on a map in a far-away office about an area deemed to be empty and suitable for re-greening.” They conclude, “A focus on regenerating landscapes and promoting livelihoods through a sensitive, locally based approach to sustainable development is the way forward, and likely will cost less than $14 billion.”

In an op-ed for Thomson Reuters Foundation on 3 March, Wanjira Mathai and Salima Mahamoudou of the World Resources Institute echoed this sentiment, arguing, “the magic that can restore Africa’s degraded farms, forests, and pasture is in the millions of local champions across the continent, especially youth and women.”

bit.ly/great_green_wall
Doing Business Report to be published after temporary suspension over data irregularities

A December 2020 World Bank document revealed that the World Bank’s latest Doing Business Report (DBR) will be published in March 2021, after a temporary suspension in August 2020 over data irregularities. The publication will take place despite long-standing criticisms of the DBR and associated country rankings (see Observer Winter 2019) and a 2020 Bank review investigating claims that the ratings had been manipulated for Azerbaijan, Saudi Arabia, United Arab Emirates and China. As the outgoing US executive director to the World Bank noted in a December 2020 tweet, the review found that, “staff felt undue pressure from management to change country rankings” (see Observer Autumn 2020).

The World Bank issued a statement in December 2020 outlining steps taken to address the issues that led to the DBR’s suspension, including a full review of the data irregularities, and required corrections to the data for the affected countries. The statement also noted that it would undertake another “external review of the Doing Business methodology…with findings expected in mid-2021” (see Observer Autumn 2013), stressing that the review is “unrelated to the specific data irregularities.”

Civil society organisations have raised concerns about the 31 March deadline for input into the review’s questionnaire and lack of external engagement in the review process. These shortcomings bolstered calls for an end to the report.

On 10 March, a letter signed by 346 civil society organisations, grassroots and labour movements, and academics was submitted to the World Bank’s executive board calling for a permanent scrapping of the report, stressing that, “for too long, the Doing Business Report has encouraged policies that have worsened inequalities – including deregulations which exacerbated the global gender and racial division of labour – eroded labor protections and domestic resource mobilisation capacity, suppressed domestic aggregate demand and economic diversification and thus strained the legitimacy of state institutions.”

IMF debt sustainability review lacking in ambition and transparency

IMF adopts new market access debt sustainability framework

Approach remains narrow and raises transparency concerns

In February, the IMF executive board approved a new framework for assessing debt sustainability for countries that have significant access to international capital markets, following a two-and-a-half-year review. The new framework was designed to more clearly predict when countries are experiencing ‘stress’ in relation to their debt obligations and it includes a number of analytical upgrades, such as the ability to consider multiple time-horizons and account for a broader set of country-specific characteristics. It also considers the long-run public finance consequences of climate change. It is expected to become operational at the end of 2021 or early 2022, after a guidance note on its implementation is developed.

Methodology puts creditors before people

Despite the methodological improvements, the review did not address long-standing civil society concerns that IMF debt sustainability assessments only narrowly consider a country’s ability to pay its creditors, without taking into account how servicing debt might undermine its ability to meet the needs of its people and international human rights obligations.

The failure of this approach has been magnified by the crises triggered by the Covid-19 pandemic, as international responses have relied on IMF debt sustainability determinations to assess the need for debt restructuring and additional lending (see Observer Winter 2020). While the IMF assessed 76 of 80 countries that received emergency financing in 2020 to have “sustainable” debt levels, in most cases that assessment relied on countries implementing severe austerity measures over the coming years (see Observer Autumn 2020, Observer Winter 2019).

In a briefing prepared for the EU Sub-Committee on the IMF in November, civil society organisations (CSOs) noted that under the current methodology, “without additional financial support and substantial debt relief, attempts to stabilize debt levels will result in countries having to abandon the active pursuit of the 2030 Agenda, their international human rights obligations, the Beijing Declaration and the commitments of the Paris Agreement on Climate Change.”

Framework decision-making ‘black box’

While the review enhanced countries’ debt data disclosure requirements, the thresholds for determining sustainability were kept confidential by the IMF, citing market sensitivity. According to Daniel Munevar with Belgium-based civil society network Eurodad, “The IMF lending decision-making process has become more opaque. The lack of transparency allows the Fund to continue to lend into unsustainable situations.” IMF debt sustainability analysis has long been criticised for allowing political considerations to bias the Fund’s lending decisions in favour of its larger shareholders, leading the IMF to lend irresponsibly to governments with unsustainable debt burdens, such as in Greece in 2010 and in Argentina in 2018 (see Observer Autumn 2019, Spring 2015). In a recent CSO dialogue with IMF officials, UK-based Jubilee Debt Campaign pointed out that, unlike the process for lower-income countries where the thresholds are public, this opacity also means that other creditors are left in the dark about the terms of a bailout if debt becomes unsustainable, thereby missing an opportunity to disincentivise them from risky lending.

© bit.ly/debt_sustainability_review
World Bank technical assistance and policy lending leads to Jamaica gas lock-in

Bank technical assistance and policy lending led to overhaul of Jamaica’s electricity laws in 2015

Gas hailed by Bank for climate mitigation impact, despite upstream emissions from gas power being twice as bad as coal over 20-year period

The World Bank’s technical assistance and development policy financing (DPF) have led to a massive investment in gas infrastructure in Jamaica, despite the fossil fuel’s ‘green’ credentials being widely debunked.

According to the Bank’s website, it has provided Jamaica with, “Technical assistance for planning and regulation of the gas sector [which] facilitated more than US$1 billion of private sector investment in LNG [liquefied natural gas],” including for two new natural gas plants and associated infrastructure.

A new import terminal for LNG was opened in Jamaica in June 2019. As reported in July 2019 by industry publication Offshore Energy, “The terminal, which is the first of its kind in the Caribbean, will provide fuel to several facilities, including the Jamaica Public Service’s (JPS) soon-to-be-completed 190-megawatt power plant in Old Harbour, through natural gas pipelines.”

The Bank’s technical assistance formed part of the Jamaica Energy Security and Efficiency Enhancement Project, a $15 million loan originally approved in 2011, that has resulted in reform of the country’s energy regulations.

The Bank subsequently approved a $70 million DPF loan in 2017. As noted in the World Bank’s programme document for the DPF, this financing included a ‘prior action’ that required a new electricity act, drafted via the above-mentioned World Bank technical assistance, to be approved to move forward with the loan – which provided fungible budget support to Jamaica. It stated, “With support from the proposed DPF Parliament passed the legislation in July 2015, and the Act came into operation in August 2015.”

Supporting a green transition, or continuing business as usual?

The Bank argues that the shift to LNG was designed to replace “out-of-date oil plants”, with the 2017 DPF noting, “This prior action is expected to contribute [to climate] mitigation co-benefits by introducing a legal and regulatory framework that promotes the increased use of natural gas and renewable energy sources.”

This is part of a wider strategy by the Bank that positions gas as a ‘transition’ fuel to lower greenhouse gas (GHG) emissions of energy systems in many borrower countries. The Bank’s World Bank Outlook 2050 policy note published last year – ostensibly the Bank’s ‘decarbonisation’ strategy – stated it would, “support planning of energy market reforms with natural gas trading and regional integration to improve power systems flexibility.”

However, according to research by the UK-based Overseas Development Institute, “Taking upstream emissions into account, CO2e emissions from gas-fired [power] generation are more than double those from using coal, over a 20-year timeframe (primarily due to methane release).” Given the need to reduce global emissions by 45 per cent by 2030, relative to 2010 levels, to have a realistic chance of limiting average global temperature increase to 1.5°C, the upstream GHG emissions from gas power present serious limitations to their alignment with global climate goals.

The reforms, which raise the prospect of long-term ‘lock-in’ of natural gas infrastructure on the island, are part of a wider programme of Washington-led interventions in Jamaica. As the 2017 DPF noted since 2013, “The International Monetary Fund (IMF), World Bank, and Inter-American Development Bank (IDB) approved a large package of financial support for Jamaica, committing almost US$2 billion in combined financing (including this DPF series), anchored on a four-year IMF Extended Fund Facility (EFF) program... focused on debt restructuring, fiscal consolidation and financial sector reforms.”

A liquefied natural gas carrier off the coast of the US state of Louisiana. Jamaica has begun importing US LNG, with support from the World Bank.
Evaluation finds IMF advice on capital controls lacking empirical support

In September 2020, the Independent Evaluation Office (IEO) of the IMF published its evaluation of IMF advice on capital flows. The evaluation assessed the Fund’s influence on capital flows since the IMF’s Institutional View on the Liberalization and Management of Capital Flows (IV) was adopted in 2012 (see Observer Spring 2016, Update 83). Its reflections are timely as the global outlook for capital flows following the Covid-19 shock remains highly uncertain.

The IEO’s evaluation gave the IMF considerable credit for upgrading its advice on capital flows over the past 10 years and considered the IV a major step forward in providing a consistent approach across IMF advice. Nonetheless, the evaluation raised a number of concerns, including that the Fund’s advice on capital flows remained too restrictive, at least in certain cases, and that there were serious disagreements between the IMF and some of its members on capital control measures. The IEO recommended revisiting some of these concerns during the IMF’s review of the IV taking place later this year. Most notably, the evaluation advised that allowing for pre-emptive and more long-lasting use of capital flow measures in some circumstances should be considered, noting that the IV’s hard injunction against these measures does “not seem justified in light of recent theoretical work and lack of firm empirical support.”

The evaluation also pointed to research demonstrating that capital account opening could have adverse distributional consequences and that capital controls could contribute to achieving countries’ social and political objectives, such as where non-resident capital inflows are impacting housing affordability. In applying the IV, the IEO found that IMF staff had advised countries against using capital controls for social purposes and in doing so faced serious resistance from some members, including Hong Kong and Canada. The IEO advised that the IMF should consider distributional implications of capital account liberalisation and provide guidance on appropriate ways to mitigate adverse impacts where there are concerns from authorities.

Covid-19 pandemic amplifies urgency of restricted IMF policy advice

In response to the damage done by historic capital outflows in Spring 2020 owing to the pandemic, civil society organisations (CSOs) urged the IMF in April 2020 to recognise the importance of capital account management to prevent capital flight, limit speculative trading and arrest declines in currency and asset prices. Underlining the urgency of the matter at hand, in October Indian business newspaper Mint commented that, as the search for higher returns on dollar investments in emerging markets by investors and corporate borrowers is “expected to be the preferred sport... developing country central banks will have their task cut out. In such an environment, having the imprimatur of the Fund on CFM [capital flow management] policies will help enhance credibility.”

The IMF has long been criticised for promoting capital account liberalisation that places emerging and developing economies at the mercy of speculative financial flows from advanced economies (see Update 79). The 2012 IV on capital controls was a step forward in that it conceded that “there is no presumption that full liberalisation is an appropriate goal for all countries at all times,” but maintained that capital flow regulations should be targeted, transparent, and generally temporary.

According to Kavaljit Singh with India-based CSO, Madhyam, “Within that context, the IEO report is an important nudge in the right direction that will hopefully inform the review of the IV. Yet, at a time when the crisis triggered by the pandemic is expected to leave long-lasting scars on the emerging market economies which are bracing for another episode of capital flight because of a surge in US Treasury yields, a fundamental rethink on capital account liberalisation by the IMF is really required.”

Δ bit.ly/IMF_capital_controls

Capital controls wall.
World Bank-supported bill promoted public-private partnerships in Nigeria’s water service

Civil society groups and trade unions mobilise against water privatisation

In September, Nigeria’s legislature withdrew a controversial National Water Resource Bill long supported by the World Bank. The bill reignited a civil society and labour union campaign for water access rights over its provisions for public-private partnerships (PPPs) in both the delivery of water services and the development and management of water resources infrastructure.

The bill was first introduced by the Nigerian government in 2017 before being struck out for the first time by the Senate over concerns that it commercialised access to water. The government attempted to pass it again last year, but the bill was withdrawn over allegations that it breached the House of Representatives’ rules. Civil society organisations (CSOs) lambasted the bill for supporting PPPs and proposing provisions that may require users to obtain licenses for water.

As early as 2014, a $495 million World Bank-funded irrigation project called for “movement toward a National Water Resources Bill” as a “demonstration of borrower commitment.” The Bank’s June 2019 Systematic Country Diagnostic for Nigeria also pushed for the bill to be given greater priority.

Civil society and women’s groups protect the right to water

Although the bill has been rejected, CSOs and trade unions remain concerned that the government could seek to reintroduce it.

In a September letter to Nigerian President Muhammadu Buhari, Benjamin Anthony of Nigeria-based union Amalgamated Union of Public Corporations Civil Service Technical and Recreational Services Employees (AUPCTRE) and Akinbode Oluwafemi of Nigeria-based Corporate Accountability and Public Participation Africa (CAPPA), said of the bill: “We are particularly worried about the privatization agenda being imposed on Nigerians with accompanying draconian provisions.”

Philip Jakpor with CAPPA subsequently noted, “The bill has the fingerprints of the World Bank all over it. It wants to ensure that national legislation opens the door for public-private partnerships.” He went on, “The most insulting part of the whole process is that there is no room for citizens to be part of the process, from its formulation to debate. It was shrouded in secrecy. It’s unacceptable in a democracy. We all need water.”

CAPPA and AUPCTRE, alongside Public Services International, called for a “community-based process” for developing new measures in a September submission to the government. Nigerian CSOs also expressed concerns that the proposed bill would negatively impact women in particular. Veronica Nwanya, coordinator of the Nigeria-based African Women Water Sanitation and Hygiene network (AWWASHNet) said, “Women bear the burden of providing water for family use... the implications of every clause of the bill on women and the society at large cannot be over emphasised.”

The UK-based Gender and Development Network demonstrated the negative impacts of PPPs on women’s rights more broadly in a February joint briefing with African women’s rights organisations Femnet and Akina Mama Africa (see Observer Summer 2019).

The World Bank: The kingpin of water privatisation

The World Bank has been a leading architect of water privatisation in Nigeria, most notably in Lagos, where civil society and local communities successfully mobilised against the previous privatisation attempts through the ‘Our Water, Our Right’ campaign launched in 2014 (see Observer Summer 2015, Observer Spring 2019).

Yet, concerns over the privatisation and financialisation of basic services like water have deepened in light of the Covid-19 pandemic. In an October article in UK newspaper The Guardian, current and former UN special rapporteurs and independent experts noted, “The Covid-19 pandemic has exposed the catastrophic fallout of decades of global privatisation and market competition” (see Observer Winter 2020).

CSOs remain concerned that the Bank is promoting the de-risking of private finance (see Background October 2020), rather than leading a people-centred Covid-19 recovery.

CAPPA and AUPCTRE lead campaign against the national water resources bill.

Photo: CAPPA twitter
New Bolivian government returns “irregular and onerous” IMF loan

In February, Bolivia returned a $346 million loan to the IMF, claiming the loan was “irregular and onerous.” In its announcement, the Central Bank of Bolivia said that the loan jeopardised “the country’s sovereignty and economic interests.” It also claimed the loan agreement violated the Bolivian constitution. The loan was issued in April 2020 under the IMF’s Rapid Financing Instrument in response to the Covid-19 pandemic. The loan agreement was made with Bolivia’s interim government, which came to power following the 2019 Bolivian political crisis. In October 2020, rescheduled elections saw the MAS party return to government led by new President Luis Arce, who has recently criticised the interim government for having attempted a “return to neoliberalism.”

The Latin American Network for Economic and Social Justice (Latindadd) welcomed the loan return as a reaffirmation of the country’s economic policy sovereignty. It noted that the five-year maturity on the loan is short in the context of a crisis, and that, despite the loan not including formal conditions, it featured concerning recommendations for medium-term fiscal consolidation measures (see Observer Autumn 2020). Patricia Miranda, a Bolivian debt justice advocate with Latindadd, commented, “The IMF loan would have helped in terms of liquidity, but it would have only increased our fiscal problems in a few years. The need for additional financing is a fact for Bolivia, but the fiscal consolidation language under the agreement was concerning and would likely lead to continued reliance on the IMF over the longer term. Bolivia anticipated these risks and said no to the contradictions between the IMF’s rhetoric on fair recovery and the actual harmful policies that it is putting in practice in the context of crisis.”

New IFC managing director appointed amidst concerns over World Bank’s private sector-led approach to Covid recovery

Makhtar Diop, the former vice president for infrastructure at the World Bank Group, has been appointed managing director and executive vice president of the World Bank’s private finance arm, the International Finance Corporation (IFC), assuming the position on 1 March. Diop, who is Senegalese and was the country’s minister of economy and finance, is IFC’s first African managing director. Diop inherits the “IFC 3.0” strategy, which controversially links increasing developing countries’ capital market integration to positive development impact (see Observer Spring 2018), and responsibility for the implementation of the IFC’s Green Equity Approach published in 2020 (see Observer Spring 2017; Observer Winter 2020).

As the World Bank’s vice president for infrastructure, Diop helped oversee the Bank’s Maximizing Finance for Development (MFD) approach, whereby it promotes de-risking big infrastructure projects to attract the private sector in the Global South (see Observer Summer 2017). The Covid-19 pandemic has deepened questions over the development impact of the Bank’s private-sector led approach, especially in terms of financing recovery programmes and the central role given to the IFC within this (see Background October 2020).

Strengthened safeguards and accountability at the IFC were a precondition for the approval of the US’ $5.5 billion contribution to the IFC’s capital increase, authorised by the US Congress last year (see Observer Autumn 2020).

World Bank in talks over early IDA replenishment this year

The World Bank is in discussions with donor countries over plans to bring forward the 20th replenishment cycle of the International Development Association (IDA20), its low-income country arm, from 2022 to 2021. The news comes in response to the World Bank front-loading IDA financing for Covid-19 recovery programmes in 2020, making its financing needs greater than anticipated. According to development news site Devex, World Bank President David Malpass told journalists that the Bank had seen a 65 per cent increase in commitments in 2020 compared with the year before, “depleting” IDA resources with its Covid-19 emergency financing. The World Bank’s 2020 Annual Report shows that IDA’s net commitments were $30.4 billion, 39 per cent higher than the previous year.

At the World Bank and IMF Annual Meetings in October Malpass called for shareholders to provide an additional $25 billion in financing for IDA, but this was rejected by the US (see Dispatch Annuals 2020).

The 19th replenishment of IDA, agreed in December 2019, saw a record financing package of $82 billion for the period 2021 to 2023, but was mired by accusations that the Bank had excluded Southern civil society from the process of identifying policy commitments linked to the funding cycle (see Observer Autumn 2019). Nadia Daar, with Oxfam International, said “Donors need to step up to ensure low-income countries have access to more grant resources through IDA20. Through IDA20’s policy package, the Bank needs to show it will be ready to support countries on a recovery path that massively reduces gender and economic inequalities and takes an urgent approach to climate action.”
India’s new farm laws mirror international financial institutions’ vision of agriculture

Guest comment by Maju Varghese, Centre for Financial Accountability

For more than 100 days, thousands of farmers in India have been in the streets protesting three new farm laws introduced in parliament. The new laws open the agriculture sector to reforms advocated by international financial institutions (IFIs), particularly the World Bank and IMF. Farmer organisations have slammed the bills for their neoliberal orientation, which will result in the destruction of existing wholesale markets and the corporatisation of agriculture. They have organised unprecedented opposition to demand a repeal of the laws.

In January 2021, farmers marched to Delhi with a rally of more than 100,000 tractors. They continue their protest in the Delhi outskirts where a satyagraha (passive resistance) is taking place. The government claims the new laws will bring more choice to the farmers and has tried to portray a section of the protesters as anti-nationals because of their regional and religious affiliations. The UN has called on the Indian government to exercise “maximum restraint.” The agitation has gained both national and international attention and support, including from the Indian former chief economist of the World Bank, Kaushik Basu, who has asked the government to repeal the farm laws and craft new legislation through a deliberative process. The minister for food processing industries, Harsimrat Kaur Badal, resigned in support of the farmers.

The current government has been pushing hard to undercut a welfare economy built up over decades but initially opened up in the early 1990s to reforms in industry, agriculture, banking, infrastructure and other areas. The government came to power in 2014 with the stated objective of moving India into the top 50 of the World Bank’s controversial Ease of Doing Business Rankings (see Observer Spring 2021; Observer Winter 2019). While the initial reforms to move up the ranking were focused on industry, labour and environment, agriculture remained generally untouched.

What are the farm laws?

The laws are: (1) The Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, which allows a barrier-free trade of farmers’ produce outside the physical premises of the markets specified under the various state Agricultural Produce Marketing Committee laws (APMC Acts); (2) the Essential Commodities (Amendment) Act makes provisions for the removal of items such as cereals and pulses from the list of essential commodities, to attract foreign direct investment to the sector; and (3) the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act.

Farmer organisations believe that this will lead to the closure of wholesale regulated markets, where minimum prices are assured, forcing them to negotiate with agribusiness who would dictate prices. The Agreement on Price Assurance and Farm Services Act allows any amount of food commodities to be stocked, while the Essential Commodities Act has excluded the food items from the list of essential commodities. This could lead to companies creating artificial shortages and raising prices, creating a heavy burden for consumers and higher profits to companies, prompting farmer organisations to call it the “Food Hoarding Act”.

Farmers vs IFI-supported corporate policy

The three highly controversial laws were passed by the parliament without adequate discussion or committee scrutiny. They found support however from India’s IMF executive director Dr Surjit Bhalla and IMF communications director Gerry Rice, the latter of whom in a press conference on 14 January termed them a potentially “significant step forward for agriculture reforms in India.” This was reiterated by the IMF’s Chief Economist Gita Gopinath in January, who supported the reforms as having the potential to increase farmers’ income.

Farmers however accused the government of acting on the diktats of the IMF, World Bank and multinational companies to favour corporates. On Women Farmers’ Day on 18 January, hundreds of female farmers marched and burned an effigy of the IMF in protest of its support of the laws.

IFIs and the historical origins of the current reforms

The reforms in Indian agriculture have their roots in previous farm bills. The World Bank in its 2008 report, India – Taking agriculture to the market, promoted the complete deregulation of the agricultural marketing system. The report called for the continuation of the reforms initiated during the 1990s when the country undertook a structural adjustment program (SAP) under the IMF and World Bank. It is no wonder that Dr Bhalla termed the current farm laws as being as important as the 1991 reforms. These reforms have been continually pushed through the IMF’s Article IV reports.

Although the government promises not to roll back the current Minimum Support Price (MSP), the recommendations in the IMF’s 2018 Article IV report consider the MSP to be a market distortion that skews farmers’ production decisions, adds to inflation, and enlarges the fiscal burden. The latest reforms represent the reintroduction of the IFIs’ damaging policy prescriptions that have been continually pushed through the IMF’s Article IV reports. The impacts of the agrarian reforms are not limited to the agriculture sector, as procurement through MSP is what keeps the public distribution system going, which is the backbone of fighting hunger and ensuring nutrition and food security in the country. A February article by Indian economist Dipa Sinha demonstrated that food insecurity remains significant in India, with 38 per cent of children under five stunted.

The massive protests are a response to a transformation, aided by the World Bank and IMF, from a democratic socialist policy to a conservative, neoliberal economy.

@bit.ly/India_farm_laws
Myanmar civil society calls for solidarity from international financial institutions

In February, over 200 civil society organisations called for international financial institutions (IFIs) to immediately freeze loans and other financial assistance to Myanmar in light of the coup d’etat that took place earlier in the month. In a joint letter led by Myanmar civil society, IFIs were urged in the strongest terms to fully reassess their lending relationship with Myanmar to avoid legitimising the military junta that committed the coup. The letter took note of a series of multilateral loans and grants to Myanmar that are either active or in the pipeline, including 61 projects with the International Development Association (IDA), the World Bank’s low-income country arm, 38 projects with the International Finance Corporation (IFC), the World Bank’s private sector arm, and a $356 million emergency IMF loan disbursed just days before the coup.

In response to the coup, the World Bank announced it would temporarily put disbursements to Myanmar on hold and expressed “grave concern about the ongoing situation.” The civil society letter explicitly condemned this language as “weak statements” that undermine democracy and called for a joint IFI statement to be issued that unequivocally confirms the institutions will not work with the junta. A letter sent later by the Bank to Myanmar’s finance ministry revealed the hold only applies to withdrawal requests made after 1 February and that the Bank is continuing to execute past projects, according to Reuters. Since the start of the coup, civil society activists and human rights defenders have been killed and targeted with arrests and some have been forced into hiding. Expressing concern that the IMF’s loan will now be under the control of the military regime, Debbie Stothard with human rights organisation ALTSEAN-Burma commented to BBC World News, “The issue is that the international community hasn’t really backed up the activists. They put too much of their efforts into...engaging the government without paying attention to what is happening on the ground.”

Civil society research finds World Bank over-reported adaptation finance

The World Bank has been accused of drastically over-reporting its climate adaptation finance in a report published by CARE Denmark and CARE Netherlands in January, Climate Adaptation Finance: Fact or Fiction? The report, which assessed climate adaptation finance reported by donors for 112 projects in six countries between 2013-2017, found that in 16 World Bank projects assessed there was a net over-reporting of $832 million.

The report raises uncomfortable questions for World Bank leadership about the credibility of the Bank’s climate finance accounting methods, as well as its commitments to scale up its climate finance between 2021-2025. The Bank previously committed to provide $100 billion in direct finance over this five-year period, with 50 per cent of this going to adaptation finance (see Observer Spring 2019).

As the report notes, there remains a transparency gap in adaptation finance reporting by the Bank and other multilateral development banks, as “their in-depth methodology and the evidence behind their climate finance figures remain unpublished.”

Two World Bank projects were profiled in the report. The World Bank committed $500 million to an Earthquake Housing Reconstruction Project in Nepal between 2015-2017, of which $428 million was reported as adaptation finance. However, in-country research conducted by Prakti Resources Centre concluded, “The project’s objectives and stated outcomes focus overwhelmingly on earthquake-resilient reconstruction, and thus respond to a geohazard unrelated to climate change.” According to the report, the project over-reported adaptation finance by $328 million.

Similarly, a $600 million World Bank Rural Productive Safety Net loan in Ethiopia in 2017 included $313 million reported as adaptation finance. The report noted, “the project’s development objectives and outcome indicators provide no evidence that its design, implementation or review processes explicitly target adaptation or increase the resiliency of food production systems.” According to the report, adaptation finance attributed to the project was over-reported by $106 million.