

# BRETTON WOODS observer

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

GENDER

analysis

## The IMF gender strategy: Will it lead to real change for women's rights?



**New IMF gender strategy outlines vision to mainstream gender across lending, surveillance and technical assistance**

**CSO statement calls for deeper analysis of the effects of Fund-endorsed policies on women's rights and a commitment to pursue alternatives**

**Civil society and UN experts insist on urgent move away from gender-blind fiscal consolidation as austerity wave looms**

The socio-economic fallout from the Covid-19 pandemic has reversed women's rights gains by several decades, as reported by the [UN](#), [civil society](#) and [media](#), while the [World Economic Forum](#) stated that "another generation of women will have to wait for gender parity" as closing the global gender gap has moved another 35 years away. Meanwhile, a new wave of IMF-supported austerity policies threatens to unravel progress further, as the Fund's power and influence have surged in the crisis.

Against this backdrop, the IMF is developing its first ever gender strategy, under the leadership of recently appointed Senior Gender Advisor Ratna Sahay (see [Observer Summer 2021](#)), with the ambition of integrating a gender lens across the IMF's core lending, surveillance and technical assistance operations. A 23 March [joint statement](#) from civil society and women's rights organisations set out key policy demands for the strategy, calling for the Fund to critically assess the gendered impact of its conventional fiscal, monetary, structural and labour market policy advice and to revisit its macro-economic paradigm.

### Gender equality is good for the economy – but is the opposite also true?

Following an [open letter](#) signed by nearly 100 civil society organisations (CSOs) calling on the IMF's executive board to support meaningful consultation on the strategy's development, the Fund opened an online public [consultation](#) on 10 February, and published a concept note summarising its aspirations. The note reflected some past

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civil society demands, although critical gaps remained. For example, the impacts of fiscal austerity, regressive taxation and labour flexibilisation on the feminisation of poverty have been [highlighted](#) by the women's rights movement and feminist economists for decades, with many [calling for](#) systematic gender impact assessments of IMF-promoted macroeconomic reforms, in line with the 2019 [UN Guiding Principles](#) (see [Observer Spring 2019](#)) and countries' [human rights obligations](#). The IMF started [considering](#) gender as a macro-critical issue a decade ago, concentrating its research and policy pilots on the economic gains from gender equity, while [refusing](#) a human rights mandate.

The concept note acknowledges that, "the IMF is a late comer to the field of gender," emphasising the urgent need for the IMF to consistently address gender disparities and assess "how macroeconomic and financial shocks and policies affect men and women differently." Analytical models – previously [lacking complexity](#) – to predict the gender-specific effects of macroeconomic reforms

are to be refined, and collaboration with experts, including academia and civil society, expanded, aligning with [recommendations](#) from the IMF's Independent Evaluation Office. Most importantly, the concept note echoes a 2018 IMF [staff guidance note](#) on operationalising gender, which stressed that “at the very least, IMF policy advice should not exacerbate gender disparities” (see *Observer Summer 2021*; Briefing, [The IMF and Gender Equality: Operationalising Change](#)).

Despite these assertions, little light was shed on the effects of Fund-endorsed macroeconomic policies on gender inequality, women's poverty rates, care burdens and ability to access decent work, nor on the IMF's intentions to measure and address them. Without this analysis, the Fund risks undermining even its own narrow goals to promote growth through women's economic empowerment, as reforms meant to bolster women's productivity may be offset by other gender-blind policies.

Instead, the note asserted the IMF's ambition to scale up its country-level policy advice and loan conditionalities pushing members to close gender gaps deemed to affect the macro environment. This could mean the Fund assuming a new role as a global expert body on gender issues in macroeconomic policy – a highly problematic development without a much more serious examination of gendered effects of other policies promoted by the Fund, such as its continued focus on fiscal consolidation, export-led growth, liberalised capital flows, central bank independence and financial deepening. Austerity will [impact](#) 6.6 billion people in 154 countries in 2022 (see *Observer Autumn 2020*), while “the implicit assumption of these gender-blind policies is that women will absorb the shock of fiscal cuts,” according to Bhumika Muchhala of Malaysia-based CSO Third World Network. A 2 March [letter](#) by four UN Special Rapporteurs and Independent Experts on debt, development, and human rights stressed that, “Adding a gender strategy to a host of other strategies and an operating system which are gender-blind will not help address the needs of women and girls and end the systemic drivers of their disadvantage and exploitation.”

### What a commitment to ‘do no harm’ means in practice

The statements by both UN experts and civil society called on the IMF to lay out an institutional framework committed to pursuing an “alternative policy mix” that upholds women's economic and social rights from the outset. Professor Diane Elson

of the University of Essex stressed that “it should be mandatory for all loan conditions to be subject to an ex-ante gender impact assessment. Where this reveals a likely adverse impact on gender equality, the loan conditions should be revised.” Ultimately, this should result in a more fundamental revision of the Fund's policy framework to systematically promote alternative policies that maintain the enabling conditions and fiscal space required to address structural inequality. “Public expenditure should not be viewed as ‘consumption’ but ‘investment’ in the public goods required for women's human rights, such as health, education, and social protection,” explained Muchhala.

The continued lack of committed resources in the IMF's operational budget to meaningfully scale up its intersectional gender analysis and required staff capacity remains a key bottleneck. Gender was clearly deprioritised in the most recent IMF [work programme](#), the [2022-2024 mid-term budget](#) and the 2021 Comprehensive Surveillance Review (see *Observer Summer 2021*).

Given these constraints, meaningful and proactive engagement with the vast body of existing expertise and lived experience held by women's rights groups, civil society and feminist economist scholarship will be crucial. “Since the IMF is coming ‘late to the game’ by their own admission, it's even more critical that they get up to speed on the extensive analyses of feminist economists who have already done the work,” emphasised Pryanthi Fernando, executive director of International Women's Rights Action Watch (IWRAP) Asia Pacific. Partnerships with other expert organisations should be formalised, documenting shared objectives and the delineation of mandates, and the IMF should participatively develop a civil society engagement policy.

While the strategy is set to be published in spring 2022, civil society will closely monitor its implementation, and continue to hold the IMF accountable on women's rights.

[bit.ly/IMFGender](https://bit.ly/IMFGender)

## The Bretton Woods Project welcomes new gender project staff

BWP is pleased to welcome Friederike Strub as our Gender Equality and Macroeconomics Lead and Amy McShane as Gender Project Officer.

Working together on BWP's [Gender Equality and Macroeconomics](#) (GEM) project, Friederike and Amy will lead the charge on challenging the ways in which macroeconomic policies currently promoted by the World Bank and IMF undermine gender equality.

Friederike previously led research and strategy design on women's economic empowerment, gender-based violence, and social norms as Senior Gender Specialist at consulting firm MarketShare Associates, as well as serving as legal analyst for *Women, Business and the Law* at the World Bank. As a consultant for Oxfam America, she developed a global programming strategy on women's economic empowerment and advised the US-based Coalition on Women's Economic Empowerment and Equality on advocacy strategy. Friederike holds an MA in Public Policy from Harvard Kennedy School, and a BA in political science from the University of Konstanz.

Before joining BWP, Amy managed a funding portfolio of Violence Against Women and Girls (VAWG) grassroots organisations, as well as leading on Monitoring and Evaluation (MEL) initiatives for two specialised cohorts as a Senior Associate at Comic Relief, a UK-based international charity. As a part-time journalist for several years, Amy is a skilled storyteller and communicator. Amy holds an MSc in Globalisation and Development from the School of Oriental & African Studies (SOAS), where she focused on postcolonial critique of hegemonic development discourse, and an MA in Politics and Sociology from the University of Glasgow.

[bit.ly/BWPStaff](https://bit.ly/BWPStaff)

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## New IMF Resilience and Sustainability Trust (RST) – how to make it work for the Global South

Guest analysis by Tirivangani Mutazu, AFRODAD

**The creation of a new IMF-administered Resilience and Sustainability Trust (RST) is welcome, but its design shortcomings must be resolved**

**The RST's purpose must be to support low- and vulnerable middle-income countries to recover from the pandemic and tackle economic and climate-related structural challenges**

**RST design needs to be aligned with CSOs' principles for fair and transparent SDRs channelling**

In August 2021, the IMF [issued](#) the largest-ever Special Drawing Rights (SDRs) allocation in history – about SDRs 456 billion, the equivalent of \$650 billion. SDRs are an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves (see Inside the Institutions, [What are Special Drawing Rights?](#)). It serves as the unit of account of the IMF (*Observer Autumn 2021*).

Although the \$650 billion fell short of the \$3 trillion allocation that global debt networks [advocated](#) for in February 2021, SDRs have greatly helped low- and middle-income countries finance their economic recovery from the Covid-19 induced economic, health and social impacts. Many countries in Africa, such as Ghana, Senegal, and Malawi, have been able to use their SDR allocations to finance Covid-19 programmes, procure vaccines, stock up their foreign exchange reserves and support their productive economic sectors.

However, SDRs are distributed in proportion to member countries' IMF quota share (see Inside the Institutions, [IMF and World Bank decision-making and governance](#)). Using this inequitable system, G20 countries received 70 per cent of SDRs, while developing countries in dire need of liquidity received only 30 per cent. The Africa region received just \$32.3 billion of the \$650 billion allocation. This grotesque situation is why the Global South continues to call for IMF reform, especially of the unequal quota system and SDR sharing rules (*Dispatch Annals 2021*).

### Proposals for 'channelling' SDRs require an equitable approach

In October 2021, the G20 [committed](#) to 'channelling' \$100 billion of their SDRs to low-income countries, small island developing states and climate vulnerable middle-income countries. The current proposals for channelling include the IMF's Poverty Reduction and Growth Trust (PRGT), its new proposed Resilience and Sustainability Trust (RST), multilateral development banks (MDBs), and bilateral arrangements, where rich countries will on-lend their SDRs directly to other countries.

The creation of the new IMF-administered RST is welcome, but its design shortcomings undermine its principal purpose. The IMF has [made public](#) that the RST is expected to be operational before the end of 2022, with an initial capital aimed at \$50 billion – although the US's [failure](#) to approve reallocation of its SDRs in a spending bill for this fiscal year raises the question of whether this target will be met. Despite support from many rich countries, the RST is not an adequate solution to SDRs channelling and its proposed features are problematic for citizens in the Global South.

The current opaque design and operationalisation discussions between RST contributor countries and the IMF – which have been characterised by a lack of consultation with civil society – do not inspire confidence that countries in need will benefit from the channelled SDRs. The richer countries are seeking a mechanism that preserves the asset value of their on-lent SDRs.

The RST design undermines the principle of country ownership, through its focus on structural reforms, conditionality and climate change, interfering in countries' policy making. The proposed RST eligibility conditions to qualify for support are also problematic. These include a policy package reflecting the RST's objectives, an existing IMF programme, and a sustainable debt profile that is adequate to repay the Fund. Proposed RST design features are incompatible with supporting a sustainable, equitable recovery and do not align with civil society organisations' (CSOs) [principles](#) for

fair and transparent SDRs channelling.

For an effective and impactful new RST, civil society and environmental groups make the following demands:

- The RST's purpose must be to support vulnerable low- and vulnerable middle-income countries' recovery from the pandemic and tackle economic and climate structural challenges.
- RST design should prioritise and balance the needs of borrowing countries and SDRs contributors. Demands and voices of low- and vulnerable middle-income countries must inform the RST's ultimate design.
- RST design must align with borrower countries' own priorities, rather than creating new types of Northern-led conditionality.
- The design of the RST should be informed by inclusive and deep consultations with global civil society.
- The RST should not be an instrument to bring harsh austerity policies at the expense of social services in borrower countries.
- Finance from the RST should not jeopardise debt sustainability, and should provide debt-free financing, without policy conditionality.
- RST must be accessible to middle-income countries, have transparency and accountability safeguards, ensure that SDR contributions are additional to existing ODA and climate finance commitments, and provide grants that promote climate justice and tackle economic and gender inequality.
- All vulnerable countries should get support under the RST, and this must not be contingent on having another IMF-supported programme.



### RST must be part of broader reforms to international financial architecture

The SDRs channelling debate reflects unfair global financial mechanisms, especially in times of crisis. No new financial instrument will succeed until the current global debt and financial architecture is reformed. African countries face risks of recurrent debt crises amid stiff resistance from creditors, especially private creditors, for a new independent debt restructuring mechanism. The international

community must address illicit financial flows and support initiatives that spur domestic resource mobilisation to enable a successful fight against the pandemic.

The AFRODAD 2021 Inaugural African Conference on Debt and Development outcome declaration, known as the [Harare Declaration](#), called for, “reforming of the global debt architecture in a manner that equalizes the loan contraction processes – including reform of debt sustainability

frameworks and credit ratings assessment, and the establishment of an African Accountability Mechanism that will act as the foundation for enhanced transparency, accountability, and governance of Africa’s debt architecture.” The RST, therefore, must be people-centred in its design and operations, which will require a departure from other IMF financing instruments in existence.

[bit.ly/RSTGlobalSouth](https://bit.ly/RSTGlobalSouth)

FINANCE

news

## IMF capital control review: A missed opportunity to support a just recovery and stability

**IMF executive board undertakes review of Fund’s institutional view on capital controls**

**Review fails to recognise control of capital inflows and outflows as key component of macroeconomic toolkit to increase policy autonomy**

On 30 March, while welcoming the new view’s recognition that inflows regulations should be in place and pre-emptive, the IMF [published](#) the results of the executive board’s review of its Institutional View (IV) on the Liberalisation and Management of Capital Flows. The review was eagerly anticipated by policymakers, academics and civil society, as it was hoped it would reflect available evidence and recognise that regulation of capital flows should be an essential and permanent part of States’ macroeconomic policy toolkit and therefore significant depart from its predecessors (see *Observer Winter 2021*). The Review revisited the institutional view from 2012, which was at the time immediately criticised by Brazilian finance minister Guido Mantega, who complained, “experience has shown that the free flow of capital is not necessarily the preferable option in all circumstances” (see *Update 83, 80*). A September 2020 [evaluation](#) by the IMF’s Independent Evaluation Office (IEO) titled *IMF Advice on Capital Controls* echoed some of these concerns (see *Observer Spring 2021*). While noting some progress, it highlighted that the Fund’s advice on capital flows remains overly restrictive. Crucially, the IEO suggested that a revised institutional view should allow pre-emptive and more long-lasting use of capital flow measures (CFMs).

### Review disappoints, as it preserves the bulk of previous policy framework

Professor Kevin Gallagher of Boston University, while welcoming the new view’s recognition that inflows regulations should be in place and pre-emptive, lamented that it retained many of its predecessor’s shortcomings. He stressed that the new view remains silent on the need to regulate capital flows “to prevent massive capital flight is still concerning” (see *Observer Spring 2022*). He similarly noted that the review failed to address “the multilateral aspects of CFMs such as the need to regulate capital flows on ‘both ends’ meaning also in source countries and the need to reconcile IMF advice with the thousands of trade and investment agreements that not only make CFMs actionable but may trigger massive payouts to private investors.” Finally, he cautioned that there remains a “real need to improve implementation of existing and new institutional view. Evidence shows it was given uneven treatment in first 10 years.”

The current view failed to respond to a call for a change to the Fund’s institutional view made jointly by professor Gallagher and Columbia University professor Joseph Stiglitz in a 7 March [article](#) in *Project Syndicate*, in which they recommended that the IMF’s executive board push for four reforms to the Fund’s capital-account policy: To advise countries to enact permanent regulations allowing for the rapid deployment of CFMs during surges and sudden stops; recommend that CFMs be part of a multi-pronged approach; support reforms to trade and investment treaties to grant emerging market and developing countries more autonomy to use CFM; and ensure staff are trained to implement new policies.

Daniela Prates from the UN Conference on Trade and Development concurred with Gallagher, calling the review “timid”, noting that the Fund stated that the general recommendations remain unchanged. Prates said that considering pre-emptive CFMs and macroprudential measures solely in cases of systemic risks when other measures are inadequate remains very restrictive, stressing that “CFM in general are important to increase policy autonomy of middle- and low-income countries and enable them to maintain a competitive exchange rate” (see *Observer Winter 2021*). She further noted that the review does not consider the fact that currency mismatches can also occur within the public sector, and that it fails to consider the specificity of the context of middle- and low-income countries that results in systemic risks associated with currency mismatches.

Kavaljit Singh, Director of India-based non-profit organisation Madhyam, echoed Prates and Gallagher, stressing that, “A closer reading of the 98-page review of the Institutional Review reveals that it does not propose any fresh thinking or a new macroeconomic framework on managing cross-border capital flows and therefore cannot be considered as a major departure from the 2012 IV. Rather, it reaffirms the core principles and intellectual underpinnings of the 2012 IV. Except for allowing capital flow management measures (a la capital controls) pre-emptively on inflows and listing out some exceptions (such as national security and tax-related matters), the review preserves the bulk of the policy framework outlined in the 2012 IV and therefore is a sheer disappointment.”

[bit.ly/CapitalFlowsReview](https://bit.ly/CapitalFlowsReview)

## World Bank's re-labelled Business Enabling Environment Project does little to address substantial flaws of *Doing Business Report*

**World Bank announces move towards rebranded Business Enabling Environment Project which fails to address underlying issues previously raised by civil society**

**Civil society calls for urgent evaluation of *Doing Business* impacts and rethinking of private sector strategy at the Bank**

When the World Bank's *Doing Business Report* (DBR) was [cancelled](#) late last year, civil society organisations (CSOs) celebrated what was perceived to be a success (see *Observer* [Autumn 2021](#)). Those concerned about the Bank's intentions moving on from the [damning investigation](#) saw the DBR's cancellation as an opportunity to call for a complete overhaul of the World Bank in an open [letter](#) signed by 143 CSOs and academics on 12 October. The elation was short-lived, with the World Bank [announcing](#) in February the creation of a new Business Enabling Environment Project (BEEP) (see *Observer* [Winter 2021](#)) and releasing a [pre-concept note](#) shortly after. The '[Rights not Rankings](#)' coalition, a group of CSOs that had closely been following the DBR and now BEEP process, responded with a joint [submission](#) urging the Bank to halt the project unless several key issues are addressed.

The coalition's initial 12 October letter had asserted the need for structural changes to the World Bank's neoliberal paradigm and its "ideological bias...in favour of austerity, deregulation, and privatisation that systematically reduces countries' fiscal and policy space and hollows out the state." It also advocated for an end to the IMF and World Bank's undemocratic governance, such as the gentleman's agreement (see Background, [What is the 'gentleman's agreement'?](#)). Moving forward to the BEEP consultation, the coalition pointed out that there is little meaningful difference between DBR and BEEP. Seven members of the coalition contributed to the newest [submission](#) in March, as part of the [consultation period](#). It summarised that the proposed BEEP "replicates a model of business and private sector development that promotes an increase in corporate power and concentration, the accumulation of obscene amounts of wealth, proliferation of tax dodging and tax havens, and the deepening of an unequal global division of labour through environmentally

unsustainable global value chains."

Alex Cobham of the Tax Justice Network [questioned](#) BEEP's lack of substantive evidence to support the need for a 'business enabling environment' at all in a recent blog post, noting that the pre-concept note hints at outcomes such as 'growth', 'equality of opportunity' and 'sustainability' being linked to 'private sector development', yet fails to demonstrate the existence of any causal relationships between these factors.

### World Bank's own evaluation points to lack of evidence for successful reforms

This lack of evidence has been pointed out by the World Bank's own Independent Evaluation Group, which published a 2010-20 [review](#) of DBR on 15 March, highlighting that DBR scores were based on narrow indicators which did not account for country-specific conditions such as fragility and conflict, cultural difference in business custom, and alternative development priorities, so could not provide accurate evaluations of impact reforms had. The report recommended that the Bank should therefore "avoid using DB [Doing Business] indicators as explicit reform objectives or monitoring indicators," and called into question the "objectivity and accuracy" of the resource, stating that "DB reports have made many claims for the benefits of measured reforms that go beyond rigorous or replicated evidence."

More positively, BEEP is considering removing the ranking process. This is significant, as the DBR rankings were deemed a "regressive" system that promoted "a race to the bottom of business deregulation, eroding tax and social security systems, and removing critical workers' protections" in a [September 21](#) civil society statement (see *Observer* [Winter 2019](#)). Additionally, BEEP will consider *de facto* changes in a country's business environment by incorporating surveys with businesses, rather than merely recognising *de jure* changes that may not actually be implemented, as the DBR did.

Looking forward, the coalition asks the Bank to evaluate impact on poverty, inequality and human rights of the implementation of 18 years of DBR-inspired policy reforms, rethink its understanding of privatisation (particularly in the context of Covid-19 recovery, and the inequality and climate crises), and address deep structural disparities uncovered by civil society. Speaking on behalf of the coalition, Flora Sonkin of Society for International Development (SID) stated, "Instead of rebranding the DBR, the World Bank should be taking a hard look at the harmful impacts its flawed policy advice have caused for the past 18 years and work towards reparations and accountability."

[bit.ly/BEEP2023](https://bit.ly/BEEP2023)

Photo: Tran Viet Duc/World Bank



Workers take a break at a construction site in Ho Chi Minh City, Vietnam.



## World Bank announces support for CCUS in Nigeria despite criticisms it reinforces fossil fuel dependence

**World Bank trust fund ESMAP to provide support for developing domestic Carbon Capture, Utilisation and Storage (CCUS) market**

**IFC seeks to crowd in private sector into CCUS in Nigeria**

**CCUS projects have been widely promoted by fossil fuel companies, despite lack of evidence that they deliver meaningful climate change mitigation**

The World Bank announced on 10 February that it will work to develop a domestic market for carbon capture, utilisation and storage (CCUS) in Nigeria in its latest embrace of the controversial technology, which has been criticised as an ineffective ‘techno-fix’ to the climate crisis by civil society.

A February [press release](#) by the International Finance Corporation (IFC), the World Bank’s private investment arm, stated, “IFC will work with the [Nigerian] government to identify the most promising sectors and private companies that can pilot new technologies for capturing, using, and storing carbon....In parallel, the World Bank will collaborate with the Nigerian Government to outline policies and regulations that can accelerate the technologies’ uptake while helping the local CCUS industry meet international standards.”

The release added that, “The project is funded by the World Bank’s CCS [Carbon Capture and Storage] Trust Fund under the Energy Sector Management Assistance Program (ESMAP),” which is supported by the UK and Norway.

[According to](#) the US-based Center for International Environmental Law (CIEL), CCUS technologies, “refer to processes that collect or ‘capture’ carbon dioxide generated by high-emitting activities – such as coal- and gas-fired power production or plastics manufacturing – and then transport those captured emissions to sites where they are either used for industrial processes or stored underground.”

CIEL noted in a July 2021 [briefing](#) that, “The unproven scalability of CCS technologies and their prohibitive costs mean they cannot play any significant role in the rapid reduction of global emissions necessary to limit warming to 1.5°C....The 28 CCS facilities

currently operating globally have a capacity to capture only 0.1 percent of fossil fuel emissions.” The briefing also points out that a significant proportion of CCUS operations to date are focused on ‘utilising’ fossil fuel waste products by injecting them into underground oil reservoirs, in an effort to increase oil production. The briefing laments that, “waste products from a fossil fuel-burning activity are used to generate more fossil fuels, propping up the unsustainable fossil fuel energy system.”

### World Bank and its MDB peers keep the faith in false CCUS solutions

The World Bank announcement comes as CCUS continues to be [widely promoted](#) by the fossil fuel industry as a way to bring its activities in line with global climate goals, with multilateral development banks (MDBs) and wealthy governments – including the UK – supporting these efforts.

Despite claims that CCUS largely reinforces the fossil fuel energy *status quo*, the updated joint MDBs [methodology](#) for tracking finance for climate change mitigation, released in October 2021, continues to classify CCUS as climate finance, noting, “In addition to post-combustion capture, financing provided specifically to enable pre-combustion capture or separation of oxygen from air for oxyfuel is eligible [to be classified as MDBs climate mitigation finance].”

This raises the possibility that CCUS could form a pillar of the MDBs’ efforts to align their activities with the Paris Agreement going forward, despite the lack of credible evidence that CCUS represents a durable solution to averting catastrophic climate change. The World Bank has pledged to align most of its financing and other activities with the Paris Agreement by 1 July 2023 (see *Observer* [Summer 2021](#)), while the IFC’s press release for the Nigeria CCUS project claims the initiative, “could accelerate the energy transition and help Nigeria reach its emissions targets.”

Meanwhile, the UK – which, as the host of the UN Framework Convention on Climate Change’s 26th Conference of Parties (COP26) in Glasgow in November 2021 (see *Observer* [Winter 2021](#)), has been keen to project an image as a global leader on climate issues – is the largest financier of the multilateral CCUS agenda. The UK funds efforts at both

the World Bank and Asian Development Bank, via the UK Department for Business, Energy and Industrial Strategy’s (BEIS) £70 million international CCUS programme, and counts this programme as part of its international climate finance commitments.

However, a 2021 [review](#) of the UK’s CCUS programme, which has focused on Indonesia, South Africa, China and Mexico since 2012, found it, “does not represent good value-for-money,” due to ongoing setbacks with CCUS pilot projects.

As the BEIS review sets out, the programme’s struggles are indicative of a broader global trend, with CCUS failing to deliver on the high hopes its advocates have placed on it. The review notes, “Global progress on CCUS is well off-track to reach the expectations set out in the IEA’s [International Energy Agency] Sustainable Development Scenario, with the IEA describing the story of CCUS as ‘one of unmet expectations’.”

Civil society advocates argue that this demonstrates the need to rapidly shift beyond CCUS to fossil fuel alternatives. “No amount of investment in CCS can accelerate the needed transition to a fossil-free future,” said Nikki Reisch of CIEL. “CCS locks in place polluting industries and compounds their harms to communities, prolonging the use of fossil fuels precisely when we need to be replacing them with renewables.”

[bit.ly/CCUSNigeria](https://bit.ly/CCUSNigeria)

Photo: Ikechi Ugwoeje/Shutterstock



Fossil fuel infrastructure in Edo State, Nigeria.



## IMF programme in Pakistan undermines renewable energy roll-out

Guest comment by Zain Moulvi, Alliance for Climate Justice and Clean Energy (Pakistan)

**Civil society raises alarm as IMF programme undermines Pakistan's national climate plans**

**Tax breaks on renewables and EVs slashed from IMF-mandated mini-budget**

On 13 January, the Government of Pakistan (GOP) [introduced](#) a controversial set of fiscal reforms in order to revive the International Monetary Fund's (IMF) \$6 billion Extended Fund Facility (EFF) for the nation, originally approved in 2019. These reforms include a devastating regime of new taxes on solar panels, wind turbines, electric vehicles and related technologies, which are likely to cripple Pakistan's nascent renewables energy market, derailing the country's energy transition and threatening its international climate obligations.

Pakistan was forced to adopt these measures to meet the Fund's conditions for the release of the next \$1 billion tranche under the [stalled](#) EFF programme, as [agreed](#) by the IMF executive board on 2 February. Instituted through a hastily prepared supplementary finance bill and bulldozed through the national assembly, these reforms have overturned the previous policy of tax exemptions on renewable technologies, resulting in a 20 per cent tax on solar and wind technologies, as well as a 12 per cent increase in sales tax for imported electric vehicles (EVs). This policy shift comes despite the encouraging growth of the renewables sector under the previous tax regime.

The unprecedented rise in solar photovoltaic (PV) installations in Pakistan's off-grid and weak grid regions in recent years has been a windfall for [vulnerable communities](#). Buoyed by the GOP's decision to waive taxes on solar products in 2014, the growth reflects solar's suitability for powering tube wells, water pumps and purification systems for drinking water and irrigation in remote and water-stressed areas. The primary beneficiaries of this boom have been poor farming communities – especially women – who have historically struggled with access to electricity and water. Solar technology, however, is still a largely import-based

market, and growth is likely to be slowed with users unable to meet higher prices.

The new tax reforms are also set to disrupt Pakistan's strategies for decarbonising its energy and transport sectors as laid out in its Alternative and Renewable Energy Policy ([ARE](#)) and in its National Electric Vehicle Policy ([NEV](#)), both published in 2019. Pakistan's roadmap for displacing entrenched fuel sources depends heavily on the integration of cheap renewables into on-grid and off-grid solutions, private contracts, and rural energy services. The ARE policy sets a minimum target of 30 per cent renewable-based power generation in the national grid by 2030, which requires large scale "buy-ins" from existing fuel-based producers and self-generating agricultural and industrial consumers, incentivised for example through [lower tariffs](#) for utility scale solar/wind power currently in place. The 20 per cent tax on renewables, however, will also hit inverters, batteries, and other renewables-related installation equipment and machinery. This will significantly raise upfront capital expenditure for such projects, increasing their overall generation costs and reducing their competitive advantage.

The increased tax on EVs also jeopardises the target of 30 per cent of vehicle sales for EVs by 2030 prescribed by the NEV policy. According to the policy, robust tax incentives are essential for developing the fledgling import-based market and for encouraging adoption of EVs amongst the masses. Under the new tax regime, users in the energy and transport sectors are unlikely to opt out of existing fuel-based arrangements, side-lining a key mechanism for reducing emissions.

### Despite new climate strategy, the IMF fails to match rhetoric with action

That such environmentally damaging and contradictory policy outcomes are directly tied to an IMF programme that [waxes eloquent](#) about "stepping up to climate change," reflects the self-defeating nature of the IMF's structural adjustment programmes and the distortive effects of its lending practices. It also raises concerns about the sincerity of the Fund's commitment to global climate goals, after it

launched a new climate strategy in July that seeks to mainstream climate across all areas of its mandate (see *Observer* [Autumn 2021](#)).

There is an obvious misalignment between the Fund's policy advice and lending conditions, and its public rhetoric on supporting low-carbon transitions. The Fund's new [strategy](#), for instance, emphasises the need for favourable "tax regimes" and "structural and spending policies" for climate-vulnerable countries. The staff statement on Pakistan's EFF programme explicitly identifies its particular vulnerability as one of "top ten countries with the largest damages from climate-related disasters, and top 20 countries with the largest greenhouse gas (GHG) emissions," as a pressing concern. It recommends policy steps such as the "wider use of renewables", "implementation measures for meeting Pakistan's COP 26 [targets](#)", and the securing of "sufficient financing" for the energy transition as "critical" priority areas. Yet it is these very goals and measures that are sabotaged by the EFF's loan conditionalities with environmental consequences that extend to the international front.

The IMF needs to ensure that these harmful taxes are withdrawn. It also needs to adopt concrete mechanisms for harmonising its policy advice with recipient governments' national climate goals, as well as with global climate agreements. Part of the solution lies in correcting its insular approach to loan programme development. A policy of meaningful civil society consultation – especially with vulnerable groups – along with independent, *ex-ante* reviews of the consequences of the proposed fiscal adjustments, is imperative if the Fund's stated aims of countering "climate change" and fostering "sustainable growth" are to progress beyond empty rhetoric. This along with green financing solutions such as debt-for-nature swaps and debt forgiveness is the need of the hour for nations like Pakistan which have found themselves trapped in a vicious cycle of debt over years of failed IMF interventions.

[bit.ly/PakistanRenewables](https://bit.ly/PakistanRenewables)

## FINANCE

## news

## Calls for Ukraine debt relief grow as IMF and World Bank provide fresh loans amidst crisis

Amidst the worsening conflict in Ukraine, Ukrainian activists and international allies have [called](#) for the country's unsustainable debts to be written off – including those owed to multilateral institutions such as the IMF and World Bank.

Ukraine's external debt stood at \$56.7 billion at the end of 2020, [according to](#) the IMF. Jubilee USA executive director Eric LeCompte noted in a 8 March [article](#) in *Barron's* magazine that Ukraine owed \$22 billion to international finance institutions (IFIs), stating: "The IMF holds more than a half of that...debt at \$13.4 billion with \$2 billion in debt payments owed this year.... Since Ukraine will most likely default on

these payments, the IMF should act quickly to restructure the payments."

The Fund's executive board subsequently [approved](#) a \$1.4 billion loan to Ukraine on 9 March via its Rapid Financing Instrument, while the World Bank also [released](#) a \$723 million financing package on 7 March, including \$589 million in new loans. While this financing provides much needed emergency support, it increases Ukraine's substantial debt load further.

Ukraine is also being charged significant surcharges on its loans by the IMF, as a result of its borrowing being in excess of its IMF quota allowance (see *Observer* [Spring](#)

[2022, Winter 2021](#)). According to Belgium-based civil society network Eurodad, Ukraine is [projected](#) to pay \$178 million in surcharges in 2022 alone.

"It just doesn't make sense for countries like Ukraine to send tens of millions of dollars every month to fund the IMF in Washington as they confront war, pandemic, and economic crisis," said US Congressman Jesús "Chuy" García, in a March [press release](#) announcing a new bill aimed at getting the US Treasury to support a suspension of IMF surcharges, pending a review.

[bit.ly/UkraineDebt](#)

## SOCIAL SERVICES

## news

## Civil society hails IFC's divestment from for-profit education provider Bridge International Academies

After a long-running civil society campaign, the International Finance Corporation (IFC), the World Bank's private investment arm, [announced](#) on 9 March it was divesting from New Global Schools, previously known as Bridge International Academies (BIA). BIA, a for-profit education provider, had received \$13.5 million from the IFC since 2014 to support its operations in Kenya, Liberia, Uganda, Nigeria and India.

The divestment follows a 2020 freeze in new IFC direct and indirect investments in for-profit education providers, which was a condition of US Congress's support for a new IFC capital increase (see *Observer* [Summer 2020, Winter 2019](#)).

"The BIA model and its implementation undermined the right to education and the rule of law in Uganda," said Salima Namusobya of Uganda-based civil society organisation (CSO) Initiative for Economic and Social Rights, in a 16 March [press release](#). "The IFC divestiture comes at a time when a majority of BIA schools have closed down since their for-profit model was unsustainable, particularly in the wake of COVID-19. We hope other investors will follow suit."

BIA's for-profit model has attracted sustained condemnation in recent years. In 2016, IFC's support for BIA in Liberia was criticised by the UN Special Rapporteur on the Right To Education, Kishore Singh, who argued, "provision of public education of good quality is a core function of the state. Abandoning this to the commercial benefit of a private company constitutes a gross violation of the right to education" (see *Observer* [Summer 2016](#)).

In 2018, 88 CSOs called for IFC to divest from BIA in an open letter, highlighting a series of issues with its operations, including, "higher costs than those advertised by the company, failure to register schools, use of unapproved curriculum, failure to meet teacher certification requirements, and discriminatory impacts" (see *Observer* [Spring 2018](#)).

A 2019 [report](#) by the Compliance Advisor Ombudsman (CAO), the IFC's independent accountability mechanism, following a 2018 complaint against BIA in Kenya, highlighted concerns about BIA's lack of "adherence to relevant health and safety requirements," and the potential "adverse impacts to teachers, parents and students raised in the complaints" (see *Observer* [Winter 2019](#)).

[bit.ly/IFCBridgeAcademies](#)

## DEBT

## background

## New BWP Inside the Institutions: What are IMF surcharges?

A newly published article from BWP's Inside the Institutions series titled, *What are IMF surcharges?* examines these additional interest the IMF imposes on countries with large, outstanding unilateral debt to the Fund.

The article lays out IMF's logic behind the use of these procyclical taxes and argues these charges are unfair, discriminatory and violate human rights, in line with several calls from civil society, academics and debt experts. In April a group of over 250 organisations and individuals sent a [letter](#) to the IMF executive board, calling on the Fund to "carry out an immediate review of surcharge policy, ensure transparency around past and future surcharge payments, and align the institution with its mandate by supporting the complete elimination of surcharges."

[bit.ly/IMFSurcharges](#)



## Ineffective G20 Debt Service Suspension Initiative ends as world faces worst debt crisis in decades

**Countries due to resume debt payments amid unequal pandemic recovery**

**CSOs call for debt cancellation and a multilateral debt workout mechanism**

With solutions to the ongoing debt crisis yet to be reached, progress is urgently needed. The end of the G20's [Debt Service Suspension Initiative](#) (DSSI) in December 2021 means that countries are due to resume payments on their debt obligations despite a [deteriorating](#) global context, particularly for middle- (MICs) and low-income countries (LICs).

Of the 73 LICs eligible for the DSSI, only 43 applied for a total of \$13 billion of debt service suspension – accounting for just a quarter of the amount the G20 announced the DSSI would deliver in April 2020 (see *Observer* [Winter 2021](#)). The fact that the DSSI only temporarily suspended bilateral debt payments, along with the lack of private sector involvement in the scheme, contributed to the mechanism being ineffective. This happened in spite of civil society [warnings](#) (see *Dispatch* [Annals 2021](#)) and IMF leadership [acknowledging](#) that, “It is also critical that private sector creditors implement debt relief on comparable terms.”

A January [analysis](#) by UK-based Jubilee Debt Campaign (JDC) found that “54 countries globally are in debt crisis, meaning that debt payments are undermining the ability of governments to protect the basic economic and social rights of their citizens.” According

to an [article](#) by US-based think tank Atlantic Council, “these LICs face debt-service payments worth \$11 billion more this year... threatening to crowd out urgently needed public spending on health, social services, and other development needs.”

On 18 January, World Bank President David Malpass [tweeted](#): “With too many developing countries facing record levels of external and domestic debt, we cannot afford to wait any longer. The world’s poorest urgently need deep debt relief, enhanced debt transparency and a rebalancing of creditor/debtor powers.”

### Deepening the divergent recovery

The DSSI did nothing to address countries’ long-term debt obligations, which were exacerbated by the pandemic. On top of this, the Ukraine crisis will worsen the [outlook](#) for many countries already in debt distress (including in Sub-Saharan Africa) as the cost of importing key commodities rises, exacerbating their balance of payments difficulties, including their ability to service debts (see *Observer* [Spring 2022](#)). Meanwhile, countries in debt distress like [Zambia](#) are being forced to make payments to private creditors such as BlackRock, at the expense of their own population’s wellbeing.

The already divergent recovery from the Covid-19 pandemic will likely be exacerbated by high-income countries’ (HICs) adjustments to their monetary policies as their economies begin to recover. As the IMF noted in an April 2021 [blog](#), MICs and LICs will be adversely impacted

by higher [interest rates](#) in HICs, as these draw capital away from MICs and LICs, resulting in a depreciation of their currencies and therefore an increase in their debt obligations issued in foreign currencies. The Ukrainian situation has [worsened](#) this trend, as in times of crisis investors seek safety in assets such as the US dollar. This strengthens the dollar versus other currencies, exacerbating the trends above.

Steps taken thus far to address the debt situation caused by the pandemic have been insufficient, as they failed to cancel debt as academics and civil society have demanded (see *Observer* [Winter 2021](#)). Numerous calls from CSOs, academics and debt experts for a United Nations-based debt workout [mechanism](#) that, as [noted](#) by Patricia Miranda of South and Central American CSO network Latindadd, “ensure[s] a future of responsible lending and borrowing together with regulation based on human rights and gender justice,” have failed to materialise (see *Dispatch* [Annals 2020](#)).

Additionally, other structural issues that contribute to an exacerbation of the debt crisis and unequal pandemic recovery, such as the IMF surcharges policy (see *Inside the Institutions* [What are IMF surcharges?](#); *Dispatch* [Springs 2021](#)) and the Fund’s restrictive institutional view on capital controls (see *Observer* [Spring 2022](#)) must also be addressed if the world is to resolve the current debt crisis, which will continue to hit the poorest and most vulnerable the hardest.

[bit.ly/DSSIDebt](https://bit.ly/DSSIDebt)



Protesters gather at the central bank in Beirut, Lebanon, December 2019.

## Argentine civil society denounces new IMF agreement as illegitimate

### IMF and Argentina agree the country's 22nd IMF programme

#### Street protests erupt amidst calls for rejection of the agreement as civil society stresses debt is illegitimate

As reported by [Al Jazeera](#), the Argentine Senate voted on 18 March to proceed with a 30-month [Extended Fund Facility](#) (EFF) arrangement of \$45 billion or 1000 percent of the country's quota. The [programme](#) was agreed days ahead of a payment of \$2.8 billion to the IMF as part of a record-breaking \$57.1 billion loan agreed in 2018 (see *Observer* [Winter 2018](#), [Summer 2018](#)). The Fund's executive board [approved](#) the programme on 25 March, paving the way for the initial disbursement of \$9.7 billion. However, echoing concerns about the 2018 programme, a 25 March IMF [press release](#), stressed that, "Risks to the program are exceptionally high and spillovers from the war in Ukraine are already materializing... early program recalibration, including the identification and adoption of appropriate measures...will be critical to achieve the program's objectives." The agreement enables Argentina to repay the previous 2018 Stand-by-Agreement (SBA), which has repayments of \$39 billion due in 2022-2023, and to strengthen its international reserves.

#### Legal suit alleges that IMF loan violated Argentine law and human rights

On 10 March a group of more than 120 people, filed a collective action [suit](#) challenging the validity and constitutionality of the SBA in a Federal Court, arguing that the lack of legislative approval "as established by the Constitution...violates the right [to participation] recognised in the Universal Declaration of Human Rights in its art. 21, the International Covenant on Civil and Political Rights in its art. 25 and the American Convention on Human Rights in its art. 23." On 29 March senators from *Frente de Todos* (Everyone's Front) [proposed](#) legislation to create a [national fund](#), projected to amount to as much as \$20 billion, to pay the IMF with funds recovered from those who have undeclared assets overseas and contributed to capital flight during the 2018 SBA.

#### Civil society calls IMF debt odious and demands cancellation

A 11 March [blog](#) by the Movement for the Suspension and Investigation of the Debt

website reported on protests of tens of thousands throughout the country against the new agreement. The Movement maintains that the 2018 debt to the Fund should not be paid, as it is illegitimate. It emphasises that the Fund's evaluation of the country's compliance with the agreement every three months implies, "increases in taxes and inflation, labour precarisation, increased and damaging extractionism, loss of sovereignty...and worsening...access to basic human rights."

Speaking at a 14 March public [hearing](#) organised by the *Frente de Izquierda* (Front of the Left) parliamentary bench, Nora Cortiñas, one of Argentina's Mothers of May Square-founders, described the agreement as "fraudulent and odious, contracted against the interest of the nation and its citizens." She called on legislators to "vote against the new loan so as not to betray the people."

#### New research asserts programme violated IMF Articles of Agreement

In a 7 March [article](#) posted on Social Science Research Network, Karina Patricio Ferreira Lima of University of Leeds (UK) and Chris Marsh of Exante Data argued that, "the 2018 SBA violated the core purposes of the IMF as per its Articles of Agreement and, therefore, constitutes an ultra vires act," making it invalid and void. The violations included failure to ensure adequate safeguards for the provision of the Fund's general resources in light of unsustainable debt and inaction on capital controls, for example, to ensure the programme did not contribute to an extension and severity of Argentina's balance of payments crisis. The analysis is supported by a December 2021 *North American Congress on Latin America* [article](#) outlining the programme's numerous irregularities and political motivations.

#### Political neutrality of 2018 programme questioned

The IMF's own analysis in its [Ex-post Evaluation](#) (EPE) of the 2018 SBA notes that, "The program was well understood to be high-risk—from the beginning, public debt was assessed to be 'sustainable but not with high probability. ...[the] reintroduction of capital flow management measures, could have delivered a more robust program." The Argentine Government's official response to the EPE stressed that, "the discrepancy between the technical views of the staff and the decisions made by the IMF reinforce the

view that the program constituted...a loan that meant to support the electoral chances of the incumbent Administration." This interpretation is supported by a December 2021 *Forbes* [article](#) referencing remarks by former US IMF Executive Director Mauricio Claver-Carone that, "Argentina, under Macri, was seen as a key ally of the United States...A return of Peronism...would lead to an erosion of support for US interests in the region."

In response to the approval in the Congress on 11 March, several deputies from the government coalition who voted against the motion produced a [document](#) detailing the damaging legacy of the Fund in the country, noting the positive trends in employment, poverty and inequality during the Fund's absence in the period after Argentina's default of 2001. It criticised the IMF for, "developing a programme [in 2018] plagued by 'irregularities'", which "were not only due to the excess of the quota that determines the maximum amount of financing that the country can obtain from the IMF (around 18 billion dollars) but also to the fact that this credit was used to finance capital flight abroad." The document's authors stressed that the Agreement "does not" guarantee "the sustainability of the debt after 2025, when...the repayment...begins." They added that the country requires a longer repayment timeframe and decried the fact that the programme did not address the issue of the payment of surcharges, which two former UN Independent Experts on Foreign Debt have [argued](#) are contrary to international law and are widely considered counter-productive and procyclical (see *Observer* [Spring 2022](#), [Winter 2021](#)).

[bit.ly/ArgentinaLoan](https://bit.ly/ArgentinaLoan)

Photo: Carolina Jaramillo / Shutterstock



International feminist strike with banner: The debt is with us, let those who fled pay it. Buenos Aires, March 8, 2022.

## Report implicates IFC investments in human rights abuses of Uyghur and other minorities in China

On 16 February, US-based think tank Atlantic Council, together with DFRLab, Sheffield Hallam University, Helena Kennedy Center for International Justice and NomoGaia, published a [report](#) alleging that investments by the International Finance Corporation (IFC), the World Bank's private sector lending arm, have contributed to grave human rights violations of Uyghur and other minorities in China.

The report noted that, "significant evidence suggests that several of IFC's clients are active participants in the implementation of PRC's [People's Republic of China] campaign of repression against the Uyghurs, including through forced labor, forced displacement, cultural erasure, and environmental destruction." Research undertaken by the authors indicates that the IFC currently has approximately \$486 million in direct loans

and equity investments in four companies operating in the Uyghur Region.

The report made several recommendations based on these findings. It called on the IFC and other development finance institutions (DFIs) to divest from all corporate investments in the Uyghur Region; recommended that the IFC and other DFIs presume that all companies operating in the region are engaged in forced labour and carry risk of complicity in the ongoing genocide; and that the IFC and other DFIs should review and adjust their direct and indirect investment portfolios to move sub-investments, sub-contracts and supply chains out of the Uyghur Region. The report also noted that the IFC should conduct a full review of its portfolio, including financial intermediary investments, using the

methods employed in the report.

Commenting on the report authors' interactions with the IFC, Kendyl Salcito of US-based non-profit NomoGaia lamented that, "We alerted IFC personnel to the grave human rights risks associated with these investments in November 2020, and we provided them evidence of confirmed forced labor transfers and other harms in early February this year. IFC has provided no indication that it will act to halt these abuses." She added that, "IFC isn't responding to the press, the member governments or us about how they plan to act on these findings. The Bank has made no public statements about our report, let alone about the ongoing genocide in the region. The lack of accountability is staggering."

[bit.ly/IFCChina](https://bit.ly/IFCChina)

## Civil society campaign urges IMF to stop using punitive surcharges

With alarm growing over widespread unsustainable debt levels and divergent pandemic recovery trajectories, a group of over 250 civil society organisations (CSOs) and experts has [called](#) on the IMF executive board to eliminate harmful surcharges in a public [letter](#) ahead of the 2022 World Bank and IMF Spring Meetings. The signatories expressed serious concern that "the IMF continues to levy punitive fees on countries facing debt distress while struggling against the effects of the pandemic," demanding "the immediate suspension or outright elimination of this policy", in line with [previous calls](#) from development experts, economists, CSOs and governments that "surcharges need to go."

Surcharges are levies the IMF adds to particularly large and long-term loans, which will cost countries in debt distress an [estimated](#) \$7.9 billion over the next six years (see Inside the Institutions, [What are IMF surcharges?](#)). The CSO initiative is bolstered by a host of recent articles and briefings that have pointed out that surcharges are "[counterproductive and unfair](#)" and [undermine debt sustainability](#) (see Observer [Winter 2021](#), [Summer 2021](#); [Dispatch Annuals 2021](#)). The letter highlights that surcharges "jeopardize the recovery of countries facing severe economic difficulties," while "turning the pandemic into a profit opportunity for the IMF."

A December 2021 IMF board [discussion](#) revealed split opinions: Most executive directors signalled openness to a holistic review of the policy, while others only supported temporary relief, and a small group refused to consider any revision to the policy. With war-torn Ukraine one of the major surcharge payers, the US's blocking stance is receiving domestic pushback from US lawmakers [urging](#) their government to abolish surcharges, and [introducing](#) a bill to that end on March 8 (see Observer [Spring 2022](#)).

[bit.ly/SurchargesCampaign](https://bit.ly/SurchargesCampaign)