BRETTON WOODS project

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

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INFRASTRUCTURE analysis

World Bank and IMF influence casts shadow over South Africa's Just Energy Transition Partnership

South Africa JETP adopts Bank and Fund's approach to privatisation of power sector and plans large fossil gas investments

World Bank's support for problem-riddled Medupi coal power plant leaves reputation in tatters with South African civil society

IMF issues paper argues for weakening labour protections to improve 'efficiency' of green transition

On 4 November, South Africa launched a much anticipated investment plan (IP) for its new Just Energy Transition Partnership (JETP). The plan calls for over $86 billion (1.5 trillion South African rand) of investment in the country's energy transition over the next five years, with two-thirds of this going to the electricity sector, in order to begin replacing coal-fired power stations with other energy sources.

Significantly, the policy reforms undertaken as a part of the JETP – which seek to unbundle Eskom, South Africa's much-criticised, state-owned energy utility (see *Update* 70), and create a more privatised, market-based electricity sector – bear the clear imprint of the World Bank and IMF's controversial approach to structural adjustment in the power sector across the Global South in recent decades, raising fears about the JETP leading to increased inequality.

The World Bank has been heavily involved in the South Africa's energy sector over the past decade, providing a $3.75 billion loan to Eskom in 2010 that went primarily towards the construction of the 4800 megawatt (MW) Medupi coal-fired power plant (see *Observer* Spring 2019), a problem-riddled project that South African civil society organisations (CSOs) have repudiated as "odious debt" and demanded be written off by the Bank.

The JETP IP emerged after yearlong negotiations with an international partnership group (IPG) – including the UK, US, France, Germany and the EU – which offered South Africa $8.5 billion in financing for the initiative at the UNFCCC's 26th Conference of Parties (COP26) in Glasgow in November 2021 (see *Observer* Winter 2021). However, the IP revealed that just 4 per cent of this finance ($330 million) will be provided by the IPG in grants, with much of the other financing provided as loans or guarantees. South Africa was the first emerging economy to complete a JETP IP, but others are already in the works in Indonesia and Vietnam, indicating that the South Africa JETP's financing model and policy reforms may be replicated in other settings.

Bretton Woods Institutions' power sector privatisation agenda embedded in South Africa's JETP raises questions about equity

The JETP's proposed reforms conform to a power sector restructuring agenda the Bank and Fund have promoted in the Global South since the 1990s, albeit with uneven success. Indeed, a 2020 World Bank research publication, *Rethinking Power Sector Reform in the Developing World*, noted the need for more pluralist approaches, noting that while the Bank's "power sector reform blueprint has demonstrated its ability to deliver in certain country contexts, the results have been quite disappointing in other settings," raising questions about its suitability for South Africa's low-carbon transition.

The JETP IP notes a new electricity sector bill is forthcoming, which will establish "an

independent transmission company which will act as the system and market operator. The legislative reform...will enable the emergence of a competitive electricity market." A policy reform included in a $750 million World Bank development policy financing loan to South Africa approved in January 2022 increased, "the 1 MW limit for license exemption for new embedded generation (EG)...to 100 MW," a reform designed to smooth the entry of private actors in South Africa's energy sector, including for renewable energy projects (see Background, *What is World Bank Development Policy Financing?*).

In a meeting with South Africa's finance minister on 5 November, World Bank President David Malpass continued the Bank's push for structural reforms, "to promote transparency and competition into the power market, encourage private investment into power generation, and improve the financial viability of Eskom."

There are fears that such reforms will further increase costs for South African energy consumers. Professor Patrick Bond of the University of Johannesburg noted that "in order to pay for Medupi and two other [coal] plants, Eskom has raised the real price of electricity by more than 620% since 2007. Eskom is also in the process of privatising, and...its leadership aims to end cross-subsidisation that assists low-income users."

The IMF, meanwhile, advocated for weakening labour protections to ease the country's low-carbon transition in a January issues paper, arguing, "Bold reforms of labor market institutions in the areas of collective bargaining, employment protection legislation, and minimum wage-setting would give firms greater workforce management ability and boost employment opportunities for the inexperienced and the young." Given that the concept of a 'just transition' was originally developed by labour unions, this advice runs counter to the 'just' dimensions of the JETP.

The Bank's damaging legacy of support for fossil fuels in South Africa: From Medupi to Richards Bay

In parallel to the JETP IP's finalisation, the World Bank approved $497 million in financing in late October for the repurposing of South Africa's Komati coal power plant, which will include 150 MW of solar power, 70 MW of wind power and 150 MW of battery storage. On the eve of its investment in Komati, however, the Bank's country office in Johannesburg was the target of protests on 14 October, as part of a global day of action against the Bank's fossil fuel investments, with South African CSOs demanding the Bank's Medupi loan be cancelled.

Bond argued following the protests that writing off the Bank's Medupi loan to Eskom, "would dramatically reduce repayment pressure on the utility's $22 billion debt." However, in October the South African government instead announced plans to transfer two-thirds of Eskom's debt to its own balance sheet, according to the *Financial Times*.

The Bank approved financing for Medupi in part owing to a severe energy crisis in South Africa, but the project was dogged by serious problems from the start, including allegations of corruption by Japanese contractor Hitachi (later substantiated) and chronic design flaws, which have resulted in repeated delays, cost overruns of 45 per cent and frequent loss of generating capacity (see *Observer* Spring 2019). The plant, initially due to be completed in 2015, was only finished in 2021; it is not among those slated to be retired under the JETP. A new World Bank *Country Climate and Development Report* for South Africa, published on 8 November, is conspicuously silent on Medupi's woes.

David Hallowes of South African CSO groundWork said of the Bank's Medupi investment: "At the time we told them it was wrong: Wrong on the choice of power generation technologies, wrong in its assumptions on what and who the power is for, wrong because of the massive social and environmental externalities, and wrong because people would pay the price of decisions taken without consulting them."

In 2019, the International Finance Corporation (IFC), the Bank's private investment arm, provided $2 million to co-finance a feasibility study for a liquefied natural gas terminal in Richards Bay, South Africa. Bond wrote in reaction to the JETP on 12 November: "At both Richards Bay and Komati, Eskom CEO Andre de Ruyter repeatedly told the Bank and other JET-P partners he would ideally find R85 [South African rand] billion for two new... gas generators with 4000MW capacity.... [T]he JET-P inflow now frees up De Ruyter's revenues to pursue those plans."

Indeed, South Africa's IP includes a 3000 MW gas power plant at Richards Bay in Eskom's project pipeline – although the source of financing for it remains unclear. While the IPG made clear that their financing shouldn't be used for fossil fuels, all eyes will be on the World Bank, as it is yet to clarify its policy on future gas investments (see *Observer* Winter 2021).

bit.ly/SouthAfricaJETP

FINANCE news

Chad gets debt rescheduling, not relief, and is left dependent on oil revenues

Chad reached an agreement unlocking IMF finance to restructure its debt on 11 November. However, the agreement has been criticised for failing to reduce the country's overall debt burden and increasing its dependence on oil revenues. It is the first deal agreed under the much-criticised Common Framework for Debt Treatments (see *Observer* Winter 2021, Winter 2020) created by the G20 in 2020, which will reschedule debt repayments due in 2024, ensuring Chad's debt remains under the level of 'moderate risk of debt distress. An initial agreement was made with bilateral creditors in 2021, but a final deal was delayed by Swiss commodities trader Glencore Plc, which holds approximately one-third of Chad's nearly $3 billion external debt. Tim Jones of UK-based civil society organisation Debt Justice noted on Twitter, "Glencore has been rewarded for blocking debt relief for Chad over the last two years."

While the IMF welcomed the deal, World Bank President David Malpass expressed concern, saying, "The agreement reached by the creditors provides no immediate debt reduction. As a result, the debt service burden of Chad remains heavy and is crowding out priority expenditures on food, health, education and climate." However, the Bank has not supported broader calls for a UN debt restructuring mechanism, or offered to cancel its own debts.

Glencore and bilateral creditors agreed Chad did not need debt relief because high oil prices were boosting its revenues. If oil prices fall, bilateral creditors said they could reconvene and offer help. The deal also incentivises the maximisation of oil revenues when the world should be transitioning away from carbon-intensive fuels and countries at a time when the world and countries in the Global South like Chad are especially vulnerable to the effects of and increasingly suffering from climate change.

bit.ly/ChadDebt

IFI GOVERNANCE analysis

IMF quota review: Putting climate at the core of IMF governance reform

Guest analysis by Andrés Arauz & Ivana Vasić-Lalović,
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Addition of cumulative carbon emissions indicator in IMF quota formula would give climate-vulnerable countries greater voice in IMF

Decision-making powers at Fund currently tilted towards rich countries, who are largest historical carbon emitters

Equitable reform of IMF quotas essential to adapt global financial architecture to tackle climate crisis

The climate crisis requires substantial mobilisation of international financial resources. Yet a country's power in the global financial system is not tied to, and is in fact inversely related to, its share of responsibility for the climate crisis. To give more decision-making powers to countries most impacted by climate change and incentivise all countries to cut emissions, we propose a necessary update to the International Monetary Fund's (IMF) quota formula by adding a variable representing member states' share of cumulative (i.e. historical) carbon dioxide (CO_2) emissions. The IMF is currently undergoing its 16th General Review of Quotas, a process that is scheduled to conclude by 15 December 2023 (*Observer* Autumn 2022).

The largest global cumulative emitters of CO_2 are also the most powerful countries at the IMF in terms of voting shares. Advanced economies – 36 high-income countries as categorised by the IMF – are responsible for approximately 44 per cent of cumulative global CO_2 emissions since 1944 (the year the IMF was founded), according to data from the Potsdam Institute for Global Climate (PIK). They hold approximately 59 per cent of votes at the IMF. The quota formula, also used to determine a country's voting power at the IMF, rewards economic size, trade openness, and the accumulation of reserves (see Inside the Institutions, *IMF and World Bank decision-making and governance*), but ignores countries' contributions to the climate emergency. For the IMF to adequately provide climate financing solutions, its governance structure needs to consider member countries' differentiated responsibility for, and vulnerability to, the climate crisis. This is a missing aspect of the IMF staff's climate strategy (see *Observer* Autumn 2021).

As the Bridgetown Initiative proposed by Barbados Prime Minister Mia Mottley in September makes clear, one of the most important, concrete sources of debt-free and taxpayer-free climate financing is a new issuance of Special Drawing Rights (see Background, *What are Special Drawing Rights (SDRs)?*). Calls for a new $650 billion SDR allocation have been backed by over 150 civil society organisations (see *Observer* Autumn 2022). The issuance is a decision made by the IMF Board of Governors. Furthermore, climate-linked SDRs would benefit vulnerable countries of the Global South the most, but the voting power needed to reach that decision rests with advanced economies of the Global North. More precisely, the US exerted its veto power to block, for over a year into the pandemic, the last issuance of SDRs (see *Observer* Autumn 2021).

Terms of lending directly impact low- and middle-income nations' fiscal ability to combat climate change, and their low voting power prevents them from influencing how the IMF will incorporate climate-related risks into its operations. From a fiscal perspective, higher quotas would increase developing countries' debt-free SDR financing in a new allocation and would increase their access to conditionality-free rapid emergency loans.

Integrating climate responsibility into IMF quota review

The distribution of voting power at the IMF begins with a "calculated quota share" (CQS) determined by the IMF's formula. However, the "actual quota share" (AQS) is determined by complex negotiations during a General Review of Quotas. The negotiations of the 14th Review resulted in the US's share still being above the veto threshold of 15 per cent and a significant dilution of China's share.

In a recent paper presented at the 2022 World Bank and IMF Annual Meetings Civil Society Policy Forum (see *Dispatch* Annuals 2022), we ran a simulation of IMF voting share recalculation with the addition of a climate variable, representing cumulative CO_2 emissions per country from 1944 to 2019.

The inclusion of this climate variable would significantly reduce the voting share of the greatest CO_2 emitters and increase that of the Global South. If we assume countries fully adopt our formula proposal (i.e. without subsequent opaque negotiations), the major winners would be 36 Small Island Developing States (SIDS): Their vote share would increase from approximately 2.5 per cent currently to nearly 21 per cent — reflective of the need to increase their decision-making power at the IMF given their vulnerability to climate change, especially rising sea levels. The US share would decrease from 16.5 to 5.64 per cent, and China's share from 6.1 to 5.36 per cent. Along regional lines, 141 Global South countries would increase their vote share from 37.0 to 56.4 per cent, and, in particular, 48 Sub-Saharan African countries' voting shares would expand from 4.9 to 9.0 per cent. Twelve per cent of the 36 advanced economies' votes would be redistributed to 154 emerging and developing economies.

Our proposal for IMF governance reform would require the improbable scenario where dominant state stakeholders concede large portions of their current voting. However, we believe that "common but differentiated responsibility" reforms are critical in our climate emergency.

At the 2020 Annual Meetings of the IMF Board of Governors, IMF Managing Director Kristalina Georgieva issued a call to action: "Today we face a new Bretton Woods moment. Just as the pandemic has shown that we can no longer ignore health precautions, we can no longer afford to ignore climate change....We focus on climate change because it is macrocritical, posing profound threats to growth and prosperity. It is also people-critical and planet-critical."

As Bretton Woods institutions' governance structures were necessary for post-war reconstruction, today's international financial and monetary institutions must allow for new configurations of decision-making organised around equitable climate action as an urgent priority. If the climate emergency is to be taken seriously as a "macrocritical" risk to the global economy, major change is urgently needed in global economic governance. The IMF is the place to start.

bit.ly/IMFQuotaClimate

FINANCE news

Debt overhang risks another lost decade and could derail progress on poverty reduction and SDGs

World Bank's report notes pandemic has helped bring two decades of progress on poverty reduction to a halt

Over 60 per cent of low-income countries and 25 per cent of middle-income economies are in or at risk of debt distress

Progress on eradicating extreme poverty in the Global South, already declining since 2015 and significantly set back by the Covid-19 pandemic, is now further endangered by widespread debt distress. Both the UN and World Bank are raising the alarm that the Sustainable Development Goals (SDGs) are unlikely to be met without action on the growing debt crisis.

The Trade and Development 2022 report by the United Nations Conference on Trade and Development (UNCTAD) released in October argued that difficult global economic conditions, a significant debt overhang and the lack of an effective mechanism for debt relief could make this another lost decade for development goals.

According to the World Bank's 2022 *Poverty and Shared Prosperity* report titled *Correcting Course*, the pandemic marks a grim turning point, with an era of global income convergence giving way to significant divergence. The report argues the pandemic produced the first reversal of the reduction in poverty globally in more than two decades, and noted that the world is now significantly behind on SDG 1.1 of eradicating extreme poverty by 2030.

Correcting course, but in which direction?

The after effects of the pandemic's massive and asymmetric supply and demand shocks have been compounded by the war in Ukraine. Further, the IMF is supporting a broad turn towards austerity, which will see government budgets squeezed for 85 per cent of the world's population in 2023 (see *Observer* Winter 2022, Autumn 2022, Summer 2022; *Dispatch* Annuals 2022), which is likely to further hobble the recovery and make the SDGs even more difficult to achieve.

Over 60 per cent of low-income countries and more than 25 per cent of middle-income economies are in or at risk of debt distress, and are in danger of being unable to fulfil their fiscal obligations. UNCTAD warned that this could end any prospect of the SDGs being realised by the 2030 deadline.

While the pandemic has certainly worsened the outlook on eradicating poverty outcomes, the current trends predate Covid-19, calling into question the Bank's approach to private-sector led development financing. The Bank has acknowledged that the rate of reduction in extreme poverty achieved between 2000 and 2015 had already slowed in the five years before the pandemic, and has called for a "significant course correction".

Unfortunately, the current debt crisis afflicting the Global South is more than a glitch in the system. It represents a recurring feature of the international financial architecture over the last four decades: An October 2020 letter signed by over 550 civil society organisations calling for an urgent reform of the international debt architecture described the 'indebtedness' of these countries as "both a consequence of and a tool for domination" – with serious impacts on development.

No shortage of alternatives

In its report, UNCTAD argued the SDGs are achievable, but only with systemic action to address a systemic crisis.

Many proposals address particular aspects of the international financial system that are driving negative development outcomes. The Global Action for Debt Cancellation Movement is calling for the unconditional cancellation of all external debt repayments, including debt owed to the World Bank and IMF, and for national debt audits and a fair and transparent UN framework for debt crisis resolution. A September report by Matthew Cummings and Isabel Ortiz set out a range of alternatives to the austerity paradigm that countries can pursue to expand their fiscal space and prioritise social investments (see *Observer* Winter 2022).

UNCTAD's proposals are more far reaching, including addressing underlying global supply side issues as an alternative to tightening monetary policy to tamp down inflation, anti-trust and market regulation to counter speculation, new rules for managing sovereign debt crises and a new Bretton Woods to support equitable global growth (see *Observer* Summer 2022). UNCTAD's Richard Kozul-Wright and Boston University's Kevin P. Gallagher have also proposed the Geneva Principles for a Global Green New Deal, at the heart of which is a new values-driven multilateralism.

bit.ly/DebtAusterity

Photo: Riya Kumari/Pexels

Person holding coins.

GENDER analysis

New IMF gender strategy's potential to catalyse change undermined by austerity and problematic mission creep

IMF adopted first ever strategy to mainstream gender across surveillance, lending and capacity development in July

While acknowledging harm can come from economic policy, strategy lacks credible commitment to pivot from IMF's own history of exacerbating gender inequality

Over 300 women's rights and economic justice groups and advocates reject strategy as "pinkwashing" and illegitimate "mission creep"

As the global economic outlook continued to worsen and the prospects of an "inclusive recovery" to build a more equitable post-pandemic economy faded, the IMF published its long-awaited Gender Mainstreaming Strategy in July (see *Observer* Spring 2022, Summer 2021). Following an online consultation in the spring and a prolonged drafting period, the new strategy sets out the Fund's vision to "close gender gaps" to foster economic growth and stability across its surveillance, lending and capacity building work. While efforts were made to heed civil society organisations' (CSOs) demands, articulated in a joint statement among other inputs, the strategy lacks a commitment to ensure its policies do not harm women and sees the Fund assume unprecedented influence over countries' gender equality policies through loan conditionalities. As a result, over 300 women's rights and economic justice groups and advocates openly rejected the document in an October letter.

Bringing together widely different agendas was no easy task

The Fund's press release and discussions with IMF staff indicate that the strategy navigated a contentious terrain in its attempt to reconcile widely differing perspectives on whether and how the IMF should engage on gender. Conservative forces inside and outside the institution would prefer it to stick to its limited monetary and fiscal remit and are suspicious of expanded external collaboration. Strong civil society voices similarly denounced the Fund's legitimacy and expertise to engage on gender, while providing extensive comments to the consultation, stressing the focus must be on assessing gendered impacts of IMF-promoted economic reforms and pursuing alternative policies that "do no harm", in line with the UN Guiding Principles and states' human rights obligations (see *Observer* Spring 2022, Spring 2019).

In a Civil Society Policy Forum event at the IMF and World Bank Annual Meetings in October, the IMF's Senior Gender Advisor Ratna Sahay emphasised that her team worked hard to take on board key asks from civil society, such as mainstreaming gender rather than pigeonholing the topic, acknowledging that economic policies can exacerbate gender inequality and that greater focus should be put on the social and distributional consequences of adjustment policies and the "quality" of growth. The strategy also included a stand-alone pillar on collaboration with external experts including academia, UN Women and CSOs, directly building on civil society demands. Yet, challenges about the lack of deeper consultation with critical women's rights groups and missing reflections of historical harms through IMF policies were not well received by Fund staff at the event, indicating a lingering unwillingness to acknowledge these harms and an expectation gap about the nature of meaningful consultation processes.

Questioning austerity framework remains a 'non-starter', proposed mitigation efforts are band-aid solutions

To the frustration of CSOs, the strategy does not explicitly recognise and address the scale of the gendered impact of core IMF macroeconomic advice, in particular when it comes to ever-expanding austerity, which remains "off the table" in discussions with the Fund despite overwhelming evidence that it harms women (see Briefing, *The IMF and Gender Equality: A Compendium of Feminist Macroeconomic Critiques*). The consistent focus on "gender gaps" for the purpose of growth rather than transformative approaches aiming at an economy that fosters equality and wellbeing, and the suggestion of narrowly targeted mitigation measures to cushion universal negative impacts, cast considerable doubt on the willingness of the IMF to seriously investigate and rectify its own historic exacerbation of gender inequality (see Briefing, *The IMF and Gender Equality: Operationalising Change*).

"Rather than prevent negative gendered impacts by following alternative policies, as the IMF's 2018 guidance note on operationalising gender recommended, the focus is now squarely on compensatory measures," wrote Roos Saalbrink of ActionAid International in *The Care Contradiction: The IMF, Gender and Austerity*, published in October. "Targeted social protection schemes are in contradiction to the commitments to social protection floors made by countries, the United Nations and in the SDGs." While the IMF – despite being a specialised UN agency – has long rejected that human rights frameworks directly apply to its mandate, positioning the Fund in relation to these frameworks would be necessary to develop "credible reference points for understanding or taking action on substantive gender gaps," Saalbrink argued.

Care is a prime example. Although the strategy mentions women's unpaid care work as a driver of inequality, it fails to draw the connection to women absorbing the shock of shrinking public services and social investment over recent decades. Clearly, "stability and growth" take precedence over safeguarding women's rights in IMF policy advice and conditionality, without a deeper reflection on how the globalised, growth-based economic model itself has entrenched gender inequality and the climate crisis. "It is critically problematic to instrumentalise women's labour force participation and gender gaps as 'macro-critical', in the context of the Fund's decades long history of policy paradigms that have generated structural gender inequalities, such as fiscal consolidation, labor flexibilization, financial liberalization and the privatization of state-owned enterprises," emphasised Bhumika Muchhala of Malaysia-based CSO Third World Network.

Civil society calls out IMF's lack of legitimacy and expertise on gender

Another contentious point is the strategy's inclusion of gender conditionality, in which Fund staff plan to impose gender-related targets in loan programmes, the negotiations of which are highly opaque and often lack democratic scrutiny or involvement of women's rights organisations. Not only does this build on a neo-colonial history of IMF-imposed structural adjustment, which has had devastating impacts on women's rights in the Global South, but it also threatens to usurp the normative space of intergovernmental expert bodies with a mandate on gender, such as the United Nations Committee on the Elimination of Discrimination against

Women (CEDAW), as well as to eclipse the demands of countries' own women's rights movements. Over 300 CSOs and individuals publicly rejected the strategy as illegitimate "mission creep" and "commodification of the gender equality agenda", with Veronica Serafini of Peru-based CSO Latindadd calling it "a pink-washing programme that promotes an ever-expanding encroachment [by the IMF] into the policy space and economic sovereignty of developing countries" in the accompanying press release. "We...question the [IMF's] expertise, [and its] technical and... ethical standing to advise in matters of gender equality and women's and girls' human rights," added feminist activist Emilia Reyes, of Mexico-based CSO Equidad, in the same release.

While the gender strategy clearly opens doors for the IMF to better understand the impacts of its economics policies on women and to steer the Fund towards more informed decision-making, civil society and UN independent experts – in both reports and letters – have made clear that resulting changes will only contribute to women's decent work, agency, and economic empowerment if they are accompanied by a willingness to challenge the IMF's own long-standing institutional bias towards fiscal consolidation and its fixation on growth, and to pivot towards building an enabling environment for an economy based on care and wellbeing.

bit.ly/IMFMissionCreep

Photo: D Busquets/Shutterstock

International Women's Day march in Berlin, 8 March 2020.

FINANCE news

Egypt reaches agreement for IMF programme, but proposals for debt relief are still lacking

The IMF reached a staff-level agreement with Egypt for a 46-month Extended Fund Facility (EFF) Arrangement of $3 billion on 27 October. Egypt has also requested an additional $1 billion from the IMF's Resilience and Sustainability Trust. While the EFF programme notes that the agreement's goals are aimed at safeguarding macroeconomic stability and debt sustainability, long-term solutions to the country's debt problems are nowhere to be found. The agreement is still pending the IMF board's approval, which will be discussed at the board's meeting on 16 December, according to its official calendar.

Since 2016, Egypt has had to repeatedly return to the IMF for financial support, raising questions about the effectiveness of the Fund's policy prescriptions. A 2019 report by Oxfam International found that IMF programmes in the country have "contributed to a decrease in social spending and an increase in poverty" (see *Observer* Winter 2019, Summer 2018; *At Issue* February 2017).

Since President Abdel Fattah El-Sisi took office in 2014, Egypt's external debt has rapidly increased – especially given the government's reliance on heavy borrowing. In June, its external debt stood at $155 billion, with $52 billion owed to multilateral institutions, of which 44.7 per cent is owed to the IMF, according to the Central Bank of Egypt.

Tim Jones, of UK-based civil society organisation Debt Justice, said, "The IMF loan will just be used to pay previous lenders, while keeping Egypt trapped in a debt crisis. The IMF is making the same mistakes as in the 1980s and 1990s, bailing out reckless lenders such as private bondholders. This ensures the debt crisis will continue, while incentivising lenders to keep acting recklessly in the future."

Other highly indebted middle- and low-income countries, including Mauritania, Tunisia and Chad (see *Observer* Winter 2022), are currently negotiating loan programmes with the IMF.

bit.ly/EgyptEFF

CONDITIONALITY news

Unbalanced financial stimulus followed by fiscal austerity: When will IMF learn from its mistakes?!

In 2021, over 134 countries contracted their budget by 3.5 per cent of GDP. By next year, 85 per cent of the world's population will live under austerity measures

As a result of the inadequate crisis response, it is expected that between 75 and 95 million more people will fall into poverty in comparison to pre-Covid-19 levels

Following a decade of austerity after the global financial crisis, the world is heading yet again into another economic recession. Since 2008, both the financial crisis and the Covid-19 pandemic have led to short periods of fiscal expansion, followed by long periods of socially painful fiscal austerity, particularly promoted by IMF through its conditional lending programmes. A report by Isabel Ortiz and Mathew Cummins published in September warned that the dangers of the post-pandemic austerity shock are far more severe this time. Their analysis indicates that in 2021, 134 countries contracted their budgets by 3.5 per cent of GDP, compared to 2.4 per cent in the period following the 2008 financial crisis.

This public spending contraction comes on top of unequal Covid-19 stimulus spending across the globe. A report by Financial Transparency Coalition published in September, highlighted that countries in the Global South provided stimulus measures equivalent to 2.4 per cent of their GDP during 2020-21 compared to an average of 28.4 per cent of GDP in high-income countries. Moreover, the report found that stimulus packages primarily benefited the corporate sector, with approximately 40 per cent of the recovery funds being directed towards large companies. As a result of this inadequate crisis response, both in size and composition of fiscal spending, it is expected that between 75 and 95 million more people will fall into poverty in comparison to pre-Covid-19 levels.

The crisis is far from over, with more hardship on the horizon

Ortiz and Cummins' report, issued as part of a newly launched *#EndAusterity Campaign* comprised of 500 civil society organisations (CSOs), highlighted that by next year, 85 per cent of the world's population will live under austerity measures. The intensifying drive toward austerity is worrisome as measures are implemented during new surges of Covid-19, inflationary pressures, and food insecurity exacerbated by the Russian war (see *Dispatch* Annuals 2022; *Observer* Summer 2022). The most common policies promoted by the IMF involve rationalising social protection programmes; cutting public sector wages and reforming labour laws; reducing subsidies on basic goods as prices hit record highs; and privatising public services resulting in layoffs. The Fund's failure to support a genuine recovery contradicts statements made by the IMF's managing director in April about the crisis being an opportunity to "craft a different and better future together."

The negative social and economic impacts of austerity are well documented, including by the IMF itself. Academics and CSOs have also recorded its adverse impacts on poverty, inequality, human rights as well as on jobs and economic activity (see *Observer* Autumn 2020). Short term, austerity depresses incomes and domestic demand. In the long term, unemployment, and excess capacity harm economic activity undermining recovery efforts. Then why is IMF still promoting fiscal consolidation? The intent is to ensure debt sustainability so that countries with IMF programmes can carry out timely loan repayments to their creditors, even to the detriment of citizen welfare – an artificially created trade-off.

While the IMF often argues that austerity cuts are unavoidable, Ortiz and Cummins stress that austerity alternatives exist. Increasing tax revenues can be done through taxing corporate profits, financial activities, and wealth. Restructuring existing debt should be possible if the legitimacy of the debt is questionable or the opportunity cost in terms of worsening deprivations of the population is high. Eradicating illicit financial flows and reallocating public expenditure from high-cost low impact investments like defence to those with larger social impacts are alternatives to tackle corruption and the mismanagement of public funds.

At a time of austerity and crisis, the need to create fiscal space has never been greater. Ortiz and Cummins highlight that "crises oblige countries to rethink policies, and the COVID-19 pandemic is an opportunity to create a new social contract, to prioritize human rights, sustainable development, and political stability, to achieve long-term prosperity for all."

bit.ly/FiscalAusterityIMF

Photo: William Murphy/Shutterstock

Anti-austerity protests in Dublin (Ireland) – 24 November 2012.

ENVIRONMENT commentary

Bridgetown Initiative calls for new Global Climate Mitigation Trust financed via Special Drawing Rights

Guest analysis by Avinash Persaud, Special Envoy on Climate Finance to Prime Minister Mottley of Barbados.

IMF members hold $12.7 trillion of central bank reserves and $943 billion worth of SDRs, half of which are held by developed countries who do not need them

Bridgeton Initiative proposes a Global Climate Mitigation Trust backed by $500 billion in SDRs for climate and development

Isaiah Berlin divided up the world into hedgehogs and foxes, where "a fox knows many things, but a hedgehog knows one big thing." In the climate debate there are plenty of foxes trying to be hedgehogs. The most common "othering" is the idea that large developing country emitters like China and India don't understand the science, or care; or they don't understand the economics, or must be in hock to powerful local coal interests, or foreign oil and gas interests or a multitude of other unforgivables. The UNFCCC's 27th Conference of Parties (COP27) in Egypt was not successful, the foxes-trying-to-be-hedgehogs say, because industrialising developing countries did not raise their commitment to reducing greenhouse gas emissions.

More ambitious but unfunded commitments (see *Observer* Winter 2021) will get us nowhere fast. Switching to renewables is capital intensive and the cost of capital in low- and middle-income countries (LMICs) is prohibitive. Before the US Federal Reserve started raising interest rates, the average cost of capital for a solar photovoltaic project was 3 per cent in Europe according to the International Energy Agency, and 12.5 per cent in Brazil. That gap is wider now. We need over $1 trillion of transition projects a year for LMICs, excluding China, according to a November 2022 report by the Independent High-Level Expert Group on Climate Finance. Few would be commercially viable with that cost of capital. We can sell 'risk mitigation' foxy financiers yell, but the hedgehog retorts that they can't mitigate the risks that follow from the way the international financial system works.

In a crisis, the demand for international reserve currencies, like US dollars, euros and yen grows. This enables issuer countries to respond to the crisis with activist fiscal and monetary policies, limiting social and economic risks. It is why Japan, Italy and Greece, having much higher debt-to-GDP ratios than most LMICs, spent far more on Covid-19 relief, and still have lower borrowing costs than all of them (see *Observer* Autumn 2022). Elsewhere, the crisis has reduced the demand for currencies, forcing governments to cut spending and raise interest rates, fuelling social and economic disruption (see *Observer* Winter 2022). Offers of a few grants and project risk insurance don't offset that risk for private investors. But if LMICs governments have to finance the transition themselves, they will sink into oceans of debt long before the seas swallow them up (see *Observer* Summer 2022).

Addressing the scale of the transition challenge

The 'Bridgetown Initiative' proposed by Barbados Prime Minister Mia Mottley seeks to break the deadlock over climate finance by using the power of international reserve currencies in the form of the IMF's Special Drawing Rights (SDRs) to drive private investment into transition projects in LMICs at no direct cost to rich and poor country taxpayers (see Inside the Institutions, *What are Special Drawing Rights (SDRs)?*). There is high theology around SDRs but simply, the IMF issues SDRs to member countries relative to their economic size (i.e. their IMF quota share; see *Observer* Winter 2022, Autumn 2022). SDRs give holders the right to borrow from other IMF members via the SDR basket of currencies at low rates – currently 2.7 per cent.

Alongside existing SDR-funded IMF trusts, such as the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust (see *Observer* Summer 2022), 'Bridgetown' proposes a Global Climate Mitigation Trust that can hold $500 billion of unused or new SDRs. Using the SDRs as collateral, the Trust borrows the underlying currencies in the SDR basket and on-lends this cash to projects in LMICs in return for shares in the projects. Lending directly to projects instead of governments would be the main difference from other existing IMF trusts. These loans would become an asset of the Mitigation Trust and a liability of the project, effectively taking climate mitigation out of the balance sheets of LMICs and meaningfully involving the private sector – an essential component considering the lack of fiscal space and the high cost of capital in LMICs. The projects would have to pre-qualify using proven technologies, high environmental, social and governance standards and would be chosen by expert investment managers based on how much and fast they credibly reduce global warming. Moreover, the Trust would work in close coordination with national governments, to ensure that projects that received financing were firmly embedded in national climate plans and green industrial strategies, with a view to fostering 'developmental' private climate finance flows (see *Observer* Autumn 2022). It is projected that the Trust's equity would draw $3-4 trillion of private savings into these projects. Following an initial review, the Trust could be expanded with small but regular future allocations of SDRs.

Achieving the energy transition will create a $78 trillion global net gain, according to the IMF. Some of this value will be captured by the Trust's investments, allowing it to return SDRs over time. The risks can be managed, preserving the SDRs' reserve asset status. Funding in a basket-currency reduces exchange rate risks; charging an upfront fee provides loss-absorbing capital and losses could be spread across other equity investors. Because the SDRs are backed by a diversified portfolio of investments with returns based often on strong power-purchase agreements, this is no more inflationary than using any other funding instrument. This plan bets on the success of a transition that we have no choice but to complete. Currently, this is the only plan close to addressing the scale of the problem. What is the point of reserves if we don't use them in a crisis?

bit.ly/BridgetownInitiative

ENVIRONMENT news

World Bank's update on Paris alignment fizzles at COP27 as countries demand MDBs evolve to face climate emergency

Bank's approach to aligning development policy financing and IFC's indirect lending remains opaque

Despite pledge to publish all aspects of its Paris alignment approach by 2023 Spring Meetings, Bank is yet to commit to public consultation

The World Bank's approach to aligning with the Paris Agreement remains blanketed in uncertainty, after the Bank and other multilateral development banks (MDBs) gave a top-line update on their joint approach to Paris alignment at the United Nations Framework Convention on Climate Change's (UNFCCC) 27th Conference of Parties (COP27) in Sharm El-Sheikh, Egypt, on 9 November.

The event provided new details on two tracts of the MDBs' Paris alignment approach where little information has thus far been made public: The alignment of policy-based lending - or development policy financing [DPF], as it's known at the World Bank (see Background, *What is Development Policy Financing?*) - and of lending via counterparties, or financial intermediaries, which constitutes about half of the portfolio of the International Finance Corporation (IFC), the Bank's private investment arm.

Worryingly, major questions remain about both approaches. The presentation suggested policy reforms linked to DPF would be considered 'aligned' if they do not present "persistent barriers" to efforts to reduce greenhouse gas emissions – a principle which would seem to leave the door open for short-to-medium term support for carbon-intensive activities, despite the urgent need to reduce emissions. For financial intermediary lending, in cases where MDBs make equity investments, clients will be required to have a 'credible decarbonisation plan', but it remains to be seen how robust these will be. IFC's Green Equity Approach currently only requires clients to divest from coal by 2030, and includes no restrictions on financing for oil and gas, per research by Netherlands-based civil society organisation Recourse (see *Observer* Winter 2020).

"The MDBs' Paris Agreement alignment update...demonstrated that the process is too sluggish for the scale of change needed to stop catastrophic climate change," said Fran Witt of Recourse, in a press release from the Big Shift Global coalition on 9 November. "It appears that for development policy finance and intermediated finance the process has hardly started to get off the ground."

At a separate World Bank COP27 side event on 11 November, the Bank clarified that it would publish all aspects of its Paris alignment approach ahead of the 2023 World Bank Spring Meetings. The Bank is due to operationalise its approach from 1 July 2023, with the exception of 15 per cent of the portfolios of IFC and the Multilateral Investment Guarantee Agency (MIGA), the Bank's insurance arm, deemed 'hard to decarbonise' (see *Observer* Summer 2021).

Despite the process being heralded by Bank staff as critical to the Bank's efforts to ensure climate is mainstreamed across all its work (see *Dispatch* Annuals 2022), the Bank is yet to commit to holding a public consultation period on its Paris alignment approach.

Bank faces growing calls to reform to address climate and other crises

The Bank's slow progress on Paris alignment occurred alongside growing calls for it to evolve in order to address current global challenges.

In her address at COP27 on 7 November, Barbados Prime Minister Mia Mottley excoriated the Bank, asking "is that called the International Bank for Reconstruction and Development only for the 20th century?" The final decision text at COP27, meanwhile, called on "multilateral development banks to define a new vision and commensurate operational model...fit for the purpose of adequately addressing the global climate emergency, including deploying a full suite of instruments, from grants to guarantees..., taking into account debt burdens."

The Bank and its embattled President, David Malpass – who has repeatedly denied he's a climate denier after facing calls to resign when he refused to confirm that he accepted climate science at an event in September (see *Dispatch* Annuals 2022) – are due to respond to a request from World Bank shareholders, including G7 countries, for a draft 'evolution roadmap' before the end of the year, per reporting by *Devex* on 14 November. How the Bank will ramp up its climate work is expected to be a central focus of the roadmap, with the Bank's Managing Director of Operations Axel van Trotsenburg strongly hinting at COP27 that this could include a request for a 'green' capital increase from shareholders, according to *Reuters*.

bit.ly/WBGParisAlignment

Photo: UNFCCC

Civil society advocates hold a protest at COP27 on 9 November, targeting the World Bank and other multilateral development banks.

RIGHTS news

World Bank's definition of 'universal' social protection - another buzzword?

World Bank's newly released Social Protection and Jobs Compass guidance note creates confusion over Bank's definition of 'universal' social protection (USP)

Experts highlight once again the incompatibility of targeted approaches with USP

The Covid-19 pandemic and its related shocks have revealed the value of public services and social protection floors. Institutions tasked with ending poverty like the World Bank are increasingly under pressure to support vital public services and play a key role in wider universal social protection (USP) discussions. The World Bank recently released its latest commitment to social protection: A Social Protection and Jobs Compass to "chart a course towards USP," which provides guidance to Bank staff on jobs and social protection issues.

Following a limited consultation process, civil society were eager to respond to the Compass. Lena Simet of Human Rights Watch concluded that the Compass guidance note, "makes a strong commitment to USP. However, its guidance on how countries can get there is problematic."

The Bretton Woods Institutions (BWIs) have long been challenged on their claims of being pro-poor in their approach to social protection. A wealth of evidence has highlighted the flaws of the targeted approaches to social protection preferred by the BWIs, such as Conditional Cash Transfers (CCTs), which have been shown to be ineffective at reaching the poorest – as the Bank itself acknowledged – prone to corruption, and less likely to protect human rights than universal schemes.

The International Trade Union Congress released a statement citing "considerable reservations", about the Compass as it "prioritise[s] the extension of targeted, non-contributory social assistance at the expense of social security, especially pensions." The Global Coalition for Social Protection Floors (GCSPF) also responded, echoing concerns about the Bank's 'universal' approach, citing incompatibility with the Bank's focus on privatised and voluntary schemes, and a "lack of references and alignment with human rights and international labour standards," such as social security minimum standards of the International Labour Organisation (ILO) Convention 102 and Recommendation 202. GCSPF also highlighted that both private finance and voluntary private schemes, which rely on individuals to have savings and often are inaccessible to informal workers, are considered by the Bank to be alternatives to public social security. The Bank's preference for privately schemes and targeted systems, which are methods to define eligibility for programmes between the poor, not only "fail to cover the majority of the population but also fail to reach the people living in dire situations, [it] also prevents States from developing their own social protection systems," noted a September report by civil society organisations (CSOs) Action Against Hunger, Development Pathways and Act Church of Sweden titled, *Can a leopard change it's spots?*.

Dr Laura Alfers, of global network Women in Informal Employment: Globalizing and Organising (WIEGO) commented: "We welcome the commitment by the World Bank to Universal Social Protection. As informal workers remain largely excluded from social protection, it is encouraging that efforts to extend coverage to the 'missing majority' are central to the World Bank's new strategy. However, we disagree with the promotion of voluntary savings schemes, which are presented as central tools to expand coverage to informal workers, and as 'alternatives' rather than complements to public social security. Instead of simply dismissing public social insurance and potentially creating costly parallel structures, we call on the World Bank to support countries in adapting their social security systems to be more inclusive."

'Universal' support, with a side of austerity

The World Bank's influence over countries' social protection spaces is significant; it describes itself as the largest funder of social protection, citing a portfolio of $29.5 billion across 71 countries. The Bank commits to the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030), a mission to achieve Sustainable Development Goal (SDG) 1.3." Further to this, the Bank entered a global partnership with the ILO on achieving universal social protection in 2016.

USP2030 defines USP as "nationally defined system[s] of policies and programmes that provide equitable access to all people and protect them throughout their lives against poverty and risks to their livelihoods and well-being," which can consist of "cash or in-kind benefits, contributory or non-contributory schemes, and programmes to enhance human capital, productive assets, and access to jobs...benefits/support for people of working age in case of maternity, disability, work injury or for those without jobs; and pensions for all older persons." USP2030 also defines universal social protection as a human right.

UK-based CSO Development Pathways found that the BWIs not only do harm by prioritising poverty targeting, but have actively advocated for removing universal systems created by governments (see *Observer* Spring 2018). Both institutions tend to attach austerity-driven loan conditionalities focused on shrinking fiscal space and cutting public sector wage bills (see *Observer* Winter 2019), and national social protection systems are often the target of such cuts.

bit.ly/WBSocialProtection

Photo: Mohamad Al-Arief/ The World Bank

Mother attending a free clinic with her children in a small rural village in central Madagascar.

RIGHTS news

A new SDR allocation: Combatting deepening fragility concerns

Political unrest, fragility, conflict and violence rise amidst worsening economic outlook and climate crisis

New SDR allocation would support IMF and World Bank fragility strategies and G7 commitment to addressing link between the climate crisis and security

While over 150 civil society organisations have joined the UN Conference on Trade and Development and Barbados' Prime Minister Mia Mottley in calling for a new $650 billion general allocation of Special Drawing Rights (SDRs; see Inside the Institutions, *What are Special Drawing Rights?*) to support climate action and pandemic recovery, little attention has been devoted to the proposal's potential contribution to the prevention of violent conflict. Given the costs of social unrest and political instability, particularly in economically important middle-income countries, a new SDR allocation would strongly contribute to global conflict prevention efforts and to the IMF's mandate to ensure global financial stability, as it would enable debt distressed and fiscally constrained states to act to forestall increasing discontent with, among other things, rising food and energy crises by increasing or maintaing social protection spending.

In February, the IMF released its long-awaited *Strategy for Fragile and Conflict-affected States* (see *Observer* Autumn 2022, Summer 2018). The strategy highlights that, "Supporting fragile and conflict-affected states (FCS) is an important priority on the international policy agenda," and stresses that, "The economic impact of the COVID-19 pandemic has been most severe in FCS... Debt and inflationary pressures have also mounted. FCS are at a significant risk of falling behind in their post-pandemic recovery [and] achieving the Sustainable Development Goals." Reflecting the importance of the topic in the international agenda, the launch of the IMF's FCS strategy followed the February 2020 release of the World Bank's *2020-2025 Fragility Conflict and Violence* (FCV) strategy, which was informed by the joint United Nations and World Bank 2018 *Pathways to Peace* report.

All three reports underscore constrained state capacity and legitimacy as potential root causes of fragility and violence. Both the World Bank and IMF strategies also stress the links between climate change and fragility, with the Fund emphasising that "most of the bottom 35 countries ranked according to their vulnerability to climate change and readiness to improve resilience are FCS." The IMF's strategy adds that, "Women and girls face specific and heightened vulnerabilities in FCS contexts, deepening fragility." Taking into account these diverse and interlinked factors, the document reflects the IMF board of directors' agreement with the strategy's assertion that "the implications of fragility and conflict are macro-critical and relevant to the Fund's mandate—both in terms of the long-run economic impact on members, but also because spillovers originating in FCS can undermine macroeconomic stability and growth prospects in neighbouring countries and regions."

Worsening economic outlook and inequality crisis exacerbate fragility and instability risks

In May, an IMF assessment of global social unrest trends made clear that increased protests and social instability trends have once again gathered pace after a decline during the pandemic, driven by curbs on mobility and mass gatherings. The assessment noted that while the causes of social unrest are complex, "steep price increases for food and fuel have been associated with more frequent protests in the past," adding that, "any rise in social unrest could pose a risk to the global economy's recovery, as it can have a lasting impact on economic performance."

The IMF's concerns are shared by political risk consultancy Verisk Maplecroft, whose June report stressed that "middle-income countries will bear the brunt of social discontent" arising from the current economic conditions. Additionally, a 2018 paper by Patricia Justino and Bruno Martorano found that, "Welfare spending led to reductions in conflict in Latin America between 1970 and 2010", and that "increasing state capacity to provide social welfare programmes may improve political stability."

Oxfam's November blog was clear about the consequences of the debt crisis on states' capacity to meet the needs and expectations of their citizens, highlighting that "three-quarters of all countries globally are planning further [social spending] cuts totalling US$7.8 trillion dollars."

In light of the current trends, a new SDR allocation would support the conflict prevention strategies and goals of key IMF shareholders such as the US and European Union states. A new SDR allocation would likewise support the African Union's *Agenda 2063* Aspiration 4, a peaceful and secure Africa, and the G7's efforts to mitigate the "threat [the] climate change and biodiversity crises pose...to international peace and stability."

bit.ly/FragilitySDRs

Photo: Marco Rubino/ Shutterstock

Non Violence Sculpture at UN Headquarters in New York.

IFI GOVERNANCE news

IMF's Independent Evaluation Office appoints new director and releases 2023 work plan

On 18 October 2022, the board of the International Monetary Fund (IMF) announced the appointment of a new Director of the Independent Evaluation Office (IEO), Pablo Moreno, who will succeed Charles Collyns when his term expires on 30 April 2023. Moreno is a Spanish citizen currently serving as IMF executive director representing Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Spain, a position he has held since November 2020. A change in leadership has also been announced at the World Bank's Independent Evaluation Group (IEG), with Alison Evans leaving the Director General position after four years, although no successor has been announced yet.

Further to this, the IMF IEO published its 2023 work plan introducing two new evaluations alongside its ongoing review of the IMF's emergency response to the Covid-19 pandemic: A full-scale Exceptional Access Policy (EAP) evaluation and a shorter Applying the IMF's Mandate evaluation.

The EAP evaluation – a framework under which the Fund can provide large-scale financial support to its members – will focus on reviewing the EA criteria and assess risk mitigation processes associated with large IMF lending. The IMF mandate evaluation comes in a context where the Fund's agenda has broadened substantially over the past decade, including topics that were previously assessed to be macro-critical but outside the Fund's existing core of expertise, such as gender (see *Observer* Spring 2022) and climate (see *Observer* Autumn 2021). The evaluation will explore the governance surrounding the process for broadening the Fund's work programme, the role of stakeholders, the trade-offs between new and existing work and resource adequacy for undertaking activities beyond the IMF core expertise.

bit.ly/IEOChanges

Inside the Institutions: *The World Bank's approach to gender mainstreaming*

This Inside the Institutions looks at the World Bank's current approach to gender mainstreaming, reflecting on and comparing it to previous approaches to the Bank's commitment to addressing gender inequality.

The article reflects on past iterations of the Bank's decades-long focus on gender and considers the wealth of programmes, reports and strategies the Bank now uses to guide its approach to gender mainstreaming. It also critically reflects on the impacts of the Bank's private sector driven development model on gender inequality.

bit.ly/WBGenderInside

FINANCE news

UN letter of allegation outlines concerns about the impact of IMF surcharge policy on human rights

On 26 August, nine UN Independent Experts and Special Rapporteurs sent a letter to the IMF managing director expressing concerns "with the impact of the surcharge policy on the enjoyment of the human rights in affected countries." The letter was sent under the Special Procedures of the UN Human Rights Council.

The IMF has to date deemed the communication unworthy of a response. A group of 350 civil society organisations (CSO) and experts sent a follow-up letter on 22 November calling on the IMF board to guarantee a response and address the contradiction between "its stated support for a just transition and its actions."

This letter was part of a wider CSO campaign aimed at ending IMF's surcharge policy, which – in line with what the IMF and World Bank Annual Meetings 2022 G24 communiqué stated (see *Dispatch* Annuals 2022) – has proven to be counter-productive, unfair, unnecessary and in contravention of international human rights law (see *Observer* Spring 2022). This is especially true in the current context where an increasing number of climate-vulnerable countries may resort to the Fund for help to recover from climate disasters.

Former UN Independent Expert on Debt and Human Rights Juan Pablo Bohoslavsky noted that, "The IMF has the obligation to respond to the requirements of mandate holders since it is part of the United Nations system.... You cannot afford not to answer if the questions you are asked are difficult to answer, as would be the request to justify surcharges."

Argentina and Barbados are already calling for a review of the policy, and the November G20 Indonesia statement also voiced support towards continuing "the discussion of the IMF surcharge policy."

bit.ly/SurchargesUN

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