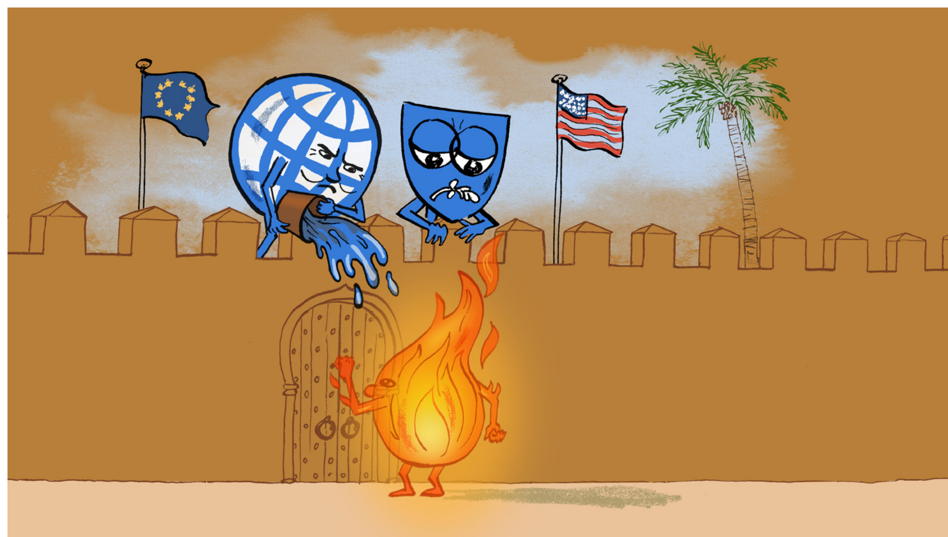
SPRING 2025

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

FINANCE analysis

Civil society calls for FfD4 to revive 'spirit of Monterrey' and reassert UN's role in global economic governance



Civil society calls for Fourth UN Financing for Development conference to put UN at heart of financial architecture reform

Role of BWIs remains a key point of contention, amidst their stark governance deficits

FfD4 draft outcome document calls for intergovernmental process on debt & SDRs 'playbook', but gives mixed signals on role of private finance

The preparations for the Fourth UN Financing for Development Conference (FfD4), which will take place in Seville, Spain, from 30 June to 3 July, are entering their latter stages. The co-facilitators of FfD4 released a wide-ranging revised draft outcome document on 10 March, as part of the preparations for the Heads of State-level conference this summer. The FfD4 draft document discusses the role of the Bretton Woods Institutions (BWIs, i.e. the World Bank and the IMF) at length, reflecting the fact that they remain key cogs of a global economic system badly in need of fundamental reform.

The conference takes place at an important inflection point – much like the first FfD conference in Monterrey, Mexico, in 2002, which occurred in the aftermath of the Asian financial crisis. The BWIs were much-criticised regarding their response to that crisis, where they mandated harsh austerity in countries seeking assistance, with long-lasting negative consequences.

The lead-up to FfD4 has been marked by increased global economic tensions, as the new US administration reviews its membership in all "international intergovernmental organisations" and ponders attempting to force a global economic realignment. While the focus of much discussion has been on US positioning, both the US and European countries have sought to water down elements of the FfD4 draft document.

In this context, reasserting the need for urgent reform has once again been the rallying cry of civil society organisations (CSOs). As Bhumika Muchhala of global CSO Third World Network argued during an intervention at the Third Preparatory Committee for FfD4 in New York in February, "The Monterrey Consensus understood that…within an international currency hierarchy, recurrent balance of payments problems and sovereign debt distress, the deregulated flow of capital and global imbalances cannot be resolved on the national terrain and reveal their steep social and economic costs through recurrent exogenous shocks and financial crisis."

Since Monterrey, FfD has offered an alternate convening space on global economic governance to that provided by the BWIs, where decision-making power remains unevenly tilted towards the US, Japan and European countries (see Inside the Institutions, *What are the main criticisms of the World Bank and IMF?*).

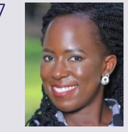
Bank and Fund's unequal governance remains in the spotlight

The FfD CSO Mechanism, a civil society network that acts as a key stakeholder in the process, argued in its feedback to the revised draft outcome document that, "It is high time to bring the IFIs

In this issue

3 **New report documents abuses at IFC-funded hospitals, further exposing consequences of the "billions to trillions" approach** by Sue Godt

6 **Civil society defends feminist demands amidst threats to women's rights and fresh questions over the role of the BWIs**



7 **Breaking free from the aid trap: time for Africa to halt international financial institutions' austerity policies** by Faith Lumonya

8 **Private lenders' resistance to Ethiopia's debt relief highlights urgent need for debt architecture reform**

[international financial institutions]...under proper intergovernmental democratic governance....FfD4 should therefore initiate a profound review of the IFI...ecosystem, hence reaffirming the role of the United Nations in global economic governance."

While the revised outcome document lacks a clear commitment to a UN-led review of IFIs, it does highlight a number of relevant BWI governance reforms. Despite recent BWI reforms (see *Observer* Autumn 2024), the document notes this work remains unfinished, stating, "we commit to enhance the voice and representation of developing countries in norm-setting, global economic governance, and decision-making in international economic and financial institutions to deliver more effective, credible, accountable, and legitimate institutions."

On the IMF's ongoing efforts to agree a redistribution of quotas, following its failure to do so in the 16th General Review of Quotas in 2023, the FfD4 draft outcome notes, "As IMF members, we will work through the Governors of the IMF to consider restoring basic votes back to 1/9 the total voting rights in the IMF, among other measures" (see Briefing, *A way out for IMF reform*). The draft also calls for a successful conclusion to the World Bank's 2025 shareholding review by the end of the year, which "delivers a more equitable balance of voting power at the institution."

Echoing longstanding demands from the G77 and civil society, the draft also calls for IFIs' boards to "recommit" to a merit-based selection of their heads, a clear reference to the undemocratic gentleman's agreement that sees the US and European countries handpick the heads of the World Bank and IMF (see Background, *What is the gentleman's agreement?*).

At a cross-roads: debt, private finance and SDRs emerge as key themes

The draft FfD4 outcome document also outlines actions on key themes, including trade, debt, private finance, international development cooperation and reform of the international financial architecture – while also referencing linkages between key reforms and climate and gender (see *Observer* Spring 2025).

Encouragingly, on debt the draft FfD4 text notes, "we will initiate an intergovernmental process at the United Nations, with a view to closing gaps in the debt architecture and exploring options to address debt sustainability, including but not limited to a multilateral sovereign debt mechanism." This reflects growing calls from Southern states for UN-based reforms to the global debt architecture. Nonetheless, the text also backs the expansion of the G20's often-criticised Common Framework for Debt Treatments (see *Observer* Spring 2024, Winter 2020). The document does however note, "We encourage major jurisdictions for sovereign bond issuances to pass domestic legislation to limit holdout creditors and facilitate effective debt restructuring," in reference to the UK and New York state (see *Observer* Spring 2025).

The document gives mixed signals on the role of private finance, which has been heavily promoted by the BWIs in recent years (see *Observer* Summer 2023). On the one hand, it notes that, "Despite increased attention to innovative finance instruments such as blended finance and adoption of sustainable business and finance legislation, investment in sustainable development has not reached expectations, nor has it adequately prioritized sustainable development impact." Despite this, the FfD4 draft text includes widespread support for country platforms, which have been promoted by the Bank and other IFIs as a way to create investible asset classes (see *Dispatch* Springs 2021) – i.e. as the next iteration of the "billions to trillions" agenda. It remains doubtful whether these efforts can be truly 'country-owned' beyond states holding the responsibility for de-risking projects.

Finally, the outcome document endorses a number of reforms related to IMF Special Drawing Rights (SDRs), including a commitment to "review SDRs to design a playbook that provides operational guidance and strengthens their role during future crises and shocks, including a rules-based approach to recommendations for SDR issuance to speed up approval...of new issuances." This echoes recent calls from civil society and experts for an expanded use of SDRs to support climate and development goals, which has been resisted by the IMF and its wealthy shareholders (see *Observer* Summer 2024).

tinyurl.com/FfD4Spirit

ACCOUNTABILITY news

IFC ends investment in waste-to-energy incineration projects in Gujarat, India, following civil society campaign

On 17 February, the International Finance Corporation (IFC), the World Bank's private sector arm, confirmed it will not provide a planned $40 million loan to support Abellon Clean Energy Limited (ACEL) to build four waste-to-energy (WTE) incineration plants in Gujarat, India. The decision comes after nine months of campaigning by civil society organisations (CSOs) and environmental groups.

On 26 June 2024, CSOs sent a letter to the World Bank executive directors highlighting the project's non-compliance with IFC's Performance Standards, among other issues. A follow-up letter to the IFC executive directors on 21 August 2024, signed by 174 CSOs and activists globally, noted that the IFC's flawed Environmental and Social Impact Assessments allowed the IFC to "give [the project] a lower risk rating of 'Category B'", despite the Central Pollution Control Board of India categorising WTE incinerators as a 'red' industry due to its massive environmental and social risks.

"Waste-to-energy (WTE) incineration projects are nothing but false climate solutions, with devastating environmental, air pollution, and health impacts," noted Chythenyen Devika Kulasekaran, of India-based CSO Center for Financial Accountability. "By investing in WTE, the IFC is...deliberately turning a blind eye to the true, effective alternatives. If the World Bank Group is genuinely committed to addressing the climate crisis, the IFC must immediately place WTEs on its exclusionary list," he added.

tinyurl.com/WTEGujarat

SOCIAL SERVICES commentary

New report documents abuses at IFC-funded hospitals, further exposing consequences of the "billions to trillions" approach

Guest comment by Sue Godt, Development Researcher

***Bloomberg* exposé documents violations of users' rights in several IFC-funded hospitals across the Global South**

Reporting adds to evidence of real-life consequences of private finance models, core to the World Bank's derisking approach

Findings support longstanding demands to end IFC involvement in for-profit essential services providers

In January 2025, *Bloomberg* reported on deeply concerning behaviour at several private hospitals, from Uganda to the Philippines, supported by funds from the International Finance Corporation (IFC), the World Bank's private investment arm. These hospitals, when faced with people unable to pay user fees, reportedly denied emergency care, detained patients and even kept corpses until payment was received, driving families into poverty. This exposé complements previous Oxfam research (see *Observer* Spring 2024).

Official development assistance (ODA) has been transformed into financialisation modalities – i.e. economic restructuring in the financial sector's interest (see Report, *Financialisation, human rights and the Bretton Woods Institutions: An introduction for civil society organisations*). Over the past two decades, essential services financing has shifted away from privatisation towards private investment by financial firms and income streams for pension and other funds. As Julia Ngozi Chukwuma and colleagues explain, the Word Bank has supported strategies that seek lucrative financial opportunities and prioritise high shareholder returns instead of positive social impact. In healthcare, new financial actors and approaches have been integrated into national healthcare systems.

These modalities reinforce the World Bank's "billions to trillions" agenda, which argues that given insufficient public funds, trillions of dollars locked into pension and other private funds are necessary to achieve the SDGs (see *Observer* Summer 2023). Defined as the "Wall Street Consensus" by economist Daniela Gabor, this approach involves converting development goods and services into financial assets, with ODA and state finances increasingly channelled as "blended finance" to help offset investor risks and guarantee investor profits. This "development as de-risking" paradigm places the burden onto the public, particularly in the Global South. As Ana Carolina Cordilha demonstrates, one of the impacts of financialisation in the health sector is the internalisation of corporate and financialised behaviours, with detrimental consequences for service delivery.

The IFC has been a major player in the privatisation and financialisation of health, with over $9 billion invested in private healthcare since 1999. For example, it advised the Lesotho Government on structuring a contract with investors to develop a privately-operated national hospital. A 7 April 2014 Oxfam briefing note reported that the IFC earned substantial fees upon contract signing while private investors made 17 to 25 per cent annual returns on investment, far above typical global expectations.

IFC health investments drive human rights abuses and escalate costs

Evaluations of IFC investments in essential services reveal significant negative consequences for individuals, governments, systems, democratic accountability and national sovereignty. For instance, the *Health in Africa initiative*, established in 2008, aimed to attract $1 billion in investment. The 2012 midterm review highlighted that mainly wealthier urban populations benefitted, gender equity and transparency were neglected and intermediaries prioritised financial returns over health outcomes. Research by New York University and Feminist Africa into private healthcare had similar findings. Prioritising facilities and curative care over primary healthcare and essential services like clean water distorted service delivery.

The IFC widely promotes public-private partnerships (PPPs) to attract investment, assuming the private sector is better financed and more efficient in delivering goods and services. Despite considerable evidence about the risks, multilateral development banks and the International Monetary Fund continue to pressure governments to create "PPP-enabling" regulatory and policy environments (see *Observer* Autumn 2022). The resulting corporate capture of development has propelled growing state indebtedness and declining access to quality public services.

Current dynamics: recycling a broken model

Development finance is presently being disrupted. Indebted countries allocate ever-increasing portions of scarce public finances to repay exorbitant commercial investments and loans. When providing much-needed support, international financial institutions demand austerity measures and intensify structural changes to attract investors, which diminish fiscal and policy space to satisfy human rights obligations to water, healthcare and education, all of which are embedded in the SDGs (see *Observer* Winter 2023).

The freezing of USAID programmes and the UK's rerouting of development funding towards military spending herald new ODA directions, enriching investors and saddling borrowing countries with unpayable debt. Although the World Bank's chief economist Indermit Gill declared the billions to trillions agenda "a fantasy", Global North narratives will likely re-emphasise attracting yet-to-materialise private investment. Government costs will likely escalate through assuming more private sector risk and/or guaranteeing more profits.

In June 2022, education actors successfully pushed the IFC to stop financing of private education as the World Bank froze direct and indirect investments in private for-profit pre-primary, primary and secondary schools (see *Observer* Summer 2022). The IFC must do the same again and honour longstanding calls to stop funding for-profit healthcare!

tinyurl.com/IFCHealth

ENVIRONMENT news

Communities demand justice as IFC fails to address coal financing fallout

The International Finance Corporation (IFC), the World Bank's private sector lending arm, is under scrutiny for failing to address harms caused by its support of Rizal Commercial Banking Corporation (RCBC), which financed ten coal-fired power plants in the Philippines. The project led to forced displacement, health issues and environmental damage. Yet, IFC's December 2024 Management Report indicated no plans to address these harms. Moreover, a January report by the Compliance Advisor Ombudsman (CAO), the IFC's independent accountability mechanism, confirmed that while the IFC identified specific risks, actual impacts remain unaddressed.

This case provides yet another example of the risks associated with financial intermediary lending, where public development banks invest in private banks, prioritising profit over environmental and social standards (see *Observer* Spring 2024, Winter 2023). Civil society organisations have called this a "moral failure and reputational risk" for the World Bank Group, especially given the IFC's prior commitments to remediate harms associated with its financing activities.

"Eight years since filing the complaint, and four years since the CAO finding of IFC's violation of its Performance Standards, affected communities continue to demand remedies as they confront the daily realities of pollution, sickness, displacement, lack of water, and threats and reprisal, which have only worsened ever since," noted Aaron Pedrosa, of the Philippine Movement for Climate Justice. "Our case is not just a test case of complaints initiated under the new CAO policy, it is a test for the IFC, and the broader World Bank Group, to deliver remedies when their direct or indirect investments cause harm to people and planet," he stressed.

tinyurl.com/IFCAccountability

IFI GOVERNANCE news

New Independent Evaluation Office findings expose political pressures and over-optimism in IMF's Exceptional Access Policy

IEO found Fund's Exceptional Access Policy failed to enforce stricter safeguards

Instead, the policy has been applied inconsistently, and has been shaped by political pressures

In December, the IMF's Independent Evaluation Office (IEO) published its evaluation of the Fund's Exceptional Access Policy (EAP). Established in 2002, the EAP was intended to impose stricter safeguards for countries seeking IMF loans beyond normal limits – standard borrowing caps based on a country's IMF quota share. To qualify, countries must meet four criteria, including experiencing severe balance of payments pressures and demonstrating debt sustainability.

Political pressures and lack of even-handedness

The IEO evaluation raised significant concerns, noting that the EAP "has not provided a substantively higher standard for EA programs compared with NA [normal access] programs." The Fund's *ad-hoc* approach, "often in response to high-profile cases, created a perception of lack of evenhandedness," exposing the IMF to "political pressure to provide EA even when the prospects for success were poor or the sovereign debt burden likely unsustainable, and increase risks for the Fund's financial position."

A 2020 study by US-based Boston University's Global Development Policy Center found countries with greater voting power at the IMF, stronger trade ties with Western Europe, or alignment with Western Europe in the United Nations General Assembly tended to receive less stringent fiscal consolidation conditions in IMF programmes, overall.

Worsening debt risks and economic dependence

The IEO highlighted that over-optimism in debt sustainability analyses (DSAs) and macroeconomic projections was more pronounced in EAP programmes, whereby "Fund access effectively becomes a substitute for necessary restructuring." Former IMF General Counsel Sean Hagan argued in a January 2025 *Financial Times* article that, "Private creditors are fearful of being subordinated to the IMF in the event of a future – and potentially very likely – debt restructuring." The IEO stated that EAP was "generally ineffective in catalyzing private capital inflows, and they rarely involved debt restructuring."

The IMF's $57 billion loan to Argentina in 2018, the largest in its history, exemplifies these concerns. Despite doubts over Argentina's debt sustainability, the IMF proceeded with lending under the EAP, with the Fund admitting in its *ex-post* evaluation it was "well understood to be high-risk." Political pressure also shaped the decision – Argentina's government said the loan backed former President Mauricio Macri's re-election (see *Observer* Spring 2022).

Francisco J. Cantamutto, economist at Universidad Nacional del Sur and National Council for Scientific and Technical Research in Argentina argues, "Despite the fact that Argentina didn't comply with the conditions, the IMF approved the EA and continued disbursements until the government lost the 2019 election. During this period, the Fund financed a capital outflow of $45.1 billion, against its own constitutive agreement."

The IEO made five recommendations to the EAP, including conducting regular reviews of access limits to assess whether they adequately serve members' balance of payment needs, and introducing an exceptional clause for situations where EA programmes do not meet EAP criteria – though this risks creating a loophole for politically motivated access to EA, as noted by Sean Hagan. In her formal response, IMF managing director Kristalina Georgieva said that a Fund review of the rules governing EA was "needed to ensure that the policy remains fit for purpose in an evolving global context".

tinyurl.com/IMFExceptionalAccess

CONDITIONALITY news

The IMF's 2025 Conditionality Review: a test of reform or repeat?

Review risks repeating past failures, with austerity-driven policies worsening inequality and economic hardship

Civil society criticism highlights a lack of meaningful consultation, raising doubts about prospects of genuine reform

In a period of rising global instability, increased geopolitical tensions and a worsening climate emergency, the International Monetary Fund (IMF) is conducting an extensive Program Design and Conditionality Review, aiming to measure the effectiveness and adaptability of IMF programmes. The Fund's last conditionality review – conducted in 2018 – exposed the IMF's persistent failure to learn from past mistakes. While the 2018 review claimed that 75 per cent of programmes were "partially or fully successful", this vague metric sidesteps the harsh reality: 60 per cent of countries are in debt distress, raising questions about the ability of Fund programmes to assist states to escape recurrent debt crises. Though the IMF has increased lending to 93 countries today, up from 68 in 2018 – its conditionality continues to entrench economic hardship, fuel inequality and prioritise creditor interests over sustainable development (see *Observer* Summer 2019).

Austerity, debt trap and the fictions of economic recovery

Despite the Fund's 2018 review confirming what critics had long raised – that fiscal consolidation is not effective in ensuring sustainable growth – the IMF's obsession with it remains unchanged. Harsh fiscal adjustments, cuts to social spending and public sector layoffs disproportionately harm the most vulnerable, as academic and civil society evidence has documented (see *Observer* Winter 2023). Although the IMF increasingly includes 'social spending floors' in programmes as supposed safeguards, Oxfam's 2023 research showed these are often non-binding, lack transparency and fail to prevent the erosion of social protection systems.

Another glaring issue is the IMF's chronic overestimation of economic recovery. The 2018 review admitted that programme projections were "overly optimistic" and acknowledged better outcomes where debt restructuring was included. Yet the Fund continues to set unrealistic fiscal targets, pushing governments into premature austerity under the guise of "debt sustainability", contributing to "the worst debt crisis ever" – twice the distress levels seen before Heavily Indebted Poor Countries (HIPC) relief – locking countries into dependency and paving the way for future bailouts that favour creditors over citizens (see *Observer* Summer 2023).

The 2018 review acknowledged major design flaws but failed to deliver meaningful reform. As a November 2022 study by the Boston University Global Development Policy Center noted, conditionality policies are influenced by political choices shaped by dominant shareholders, not just technical considerations – raising enduring concerns over 'even-handedness' of the Fund programmes. Despite repeated promises of more flexible, country-specific approaches – a key 2018 recommendation – the IMF continues to impose rigid structural reforms that undermine national sovereignty. Often out of sync with local realities, these measures have triggered widespread unrest, contributing to the IMF's growing "protest problem" (see *Observer* Autumn 2024).

Hopes for meaningful change this time are fading. The review timeline and consultation process remain unclear, despite 70 civil society organisations calling for transparency in a September 2024 letter (see *Observer* Autumn 2024). "Despite engaging in new areas such as gender and climate, IMF programmes reinforce unequal global dynamics and incentivise austerity and extractivism. The review must assess whether IMF programmes enable climate-resilient, rights-based development," said Federico Sibaja, IMF Campaign Manager at Recourse.

tinyurl.com/IMFConditionality

Follow BWP's Dispatch Springs 2025

The World Bank and the IMF will host their Spring Meetings 2025 in Washington DC between 21 and 26 of April.

Ahead of the Meetings, the Bretton Woods Project will launch its *Dispatch,* starting with the *Preamble* analysis where it will look at the main trends and agenda points for the Meetings. As governments and civil society prepare for the Fourth UN International Conference on Financing for Development (FfD4) in Seville in June, and in a context of political turmoil and decreases in ODA globally, the Spring Meetings will feature debates and announcements around key themes. These will likely include: the multiple IMF's ongoing reviews – including Debt Sustainability Analysis and conditionality – the debt crisis, the Bank's climate action plan and shareholders review, IDA21, and issues around accountability, as the IFC reviews its Performance Standards in the midst of reports raising concerns once again about its financing model, among other things.

tinyurl.com/Springs2025

Photo: Cory Hancock/ IMF Photo

Managing Director Kristalina Georgieva speaks during the Curtain Raiser event leading up to the Annual Meetings at the IMF Headquarters, 8 October 2019, Washington, D.C.

GENDER analysis

Civil society defends feminist demands amidst threats to women's rights and fresh questions over the role of the BWIs

The ongoing anti-gender rhetoric is furthering the global siege on women's rights

Fresh questions over approach of World Bank and IMF to gender arise, given controversial track record

Feminists and civil society organise around feminist demands accross multilateral spaces to couter retrogression on women's rights

It is a dangerous time for gender as a development priority. As Donald Trump entered office early this year for his second term as President of the United States, critics warned the transition would result in greater threats to women and girls. The attack on women, girls and gender minorities has come rapidly. The US government's anti-gender position comes alongside the shutdown of the US Agency for International Development (USAID) and major cuts to Overseas Development Assistance (ODA) by other wealthy shareholders to the World Bank Group (WBG) and IMF, including the Netherlands and the United Kingdom, as well as other quiet reductions of resources for women's rights initiatives in countries such as Canada. Amidst the deepening global siege on women's rights, civil society organisations (CSOs) are defending feminist demands across multilateral spaces. These realities bring fresh questions over the approach of institutions like the WBG and the IMF to gender equality, given their controversial track record, making it more important than ever that they listen to feminists and critics, especially in the Global South.

Despite cuts, feminists are holding the line on multilateralism

In March, the 69th Commission on the Status of Women (CSW69) took place at the United Nations (UN) in New York on the 30th anniversary of the Beijing Declaration and Platform for Action. Feminists' calls for the review of Beijing30+ were strong. Advocates spoke and shared position statements throughout the fortnight to highlight what feminists value about multilateralism. They provided a clear path, built on historic wins borne out of pressure from CSOs and feminists. They stressed institutions and leaders must continue to strongly support these efforts in the face of retrogression.

Katie Tobin of US-based Women's Environment and Development Organisation (WEDO) emphasised the importance of previous hard-won UN agreements such as the 2002 Durban Declaration and Programme of Action, which concretised crucial commitments to anti-racism, the 1997 Kyoto Protocol, which operationalised the United Nations Framework Convention on Climate Change, and the 1986 Declaration on the Right to Development, all of which were agreed upon the principles of the Universal Declaration of Human Rights.

Amidst a fresh wave of austerity in low- and middle-income countries, the serious harm that will be felt particularly deeply by women, girls and gender minorities if support for feminist principles declines cannot be understated. Thus far, the influence of the US stated positions and actions – in withdrawing from the UN Framework Convention on International Tax Cooperation, in its statements at this year's Fourth UN Financing for Development Conference (FfD4) preparatory meetings, and in its refusal to accept language relating to gender at CSW69 – do not seem to have swayed other governments, and language on the importance of gender remains present across all three processes.

Countries and institutions must act on the calls from feminists and wider civil society, such as supporting debt cancellation strategies – including the creation of a UN Framework Convention on Sovereign Debt – that go beyond current failed approaches. Global South feminists have argued sovereign debt is inherently a feminist issue in which the impact on women and gender minorities is often obscured and overlooked, despite the fact that it is women and marginalised groups who pay the price. Progressive taxation is also consistently advocated for as a crucial feminist issue. All of this exists amidst a deepening crisis of social reproduction and paid, unpaid and underpaid care work, which props up economies without being sufficiently valued. Feminists have long called for a recognition of 'decent work' to be adopted by institutions such as the World Bank and the IMF, including in the recent African Civil Society Organizations Position Statement on Beijing+30 Review. Instead, the Bank and Fund continue to focus on women's 'labour force participation' (see *Dispatch* Annuals 2024).

Billions to trillions is not the answer

Crucially, this political reality brings fresh questions over the approach of institutions like the World Bank and the IMF to gender equality. There are hard won gains civil society has fought for in recent years on the Bank's gender work (see *Observer* Autumn 2024), including recognising the value of care, and centering human rights and Sustainable Development Goal 5 in the newest gender strategy. However, through the promised reform of the Bank under its 'Evolution Roadmap', gender initiatives remain rooted in the logic of a private sector-led approach to development, which sees women as an untapped source of 'human capital' that can be profited from (see *Observer* Autumn 2023, Autumn 2018). This approach marries well with the increasingly transactional and financially austere approach to development amidst ODA cuts.

Countries must not fall down the 'billions to trillions' trap that promises to produce the financing needed by mobilising and derisking private investment, as resources will be funnelled into mitigating risks for private investors – who may fail to adequately deliver – and away from essential public services relied on especially by the women, girls and gender minorities currently facing attack on the global stage. Notably, the WBG and the IMF have failed to implement calls from civil society to address structural barriers to gender equality by acknowledging the gendered harms of macroeconomic policy promoted through lending (see Briefing, *Learning lessons from the Covid-19 pandemic: The World Bank's macroeconomic policies and women's rights*), as well as to support decent work, sufficiently funded essential public services and most crucially, breaking from the macroeconomic policies that continue the cycle of debt, austerity and regressive taxation.

tinyurl.com/FeministDemands

Photo: Matt Hrkac/ Wikimedia

Overturn *Roe v Wade* protest defending US abortion rights.

FINANCE analysis

Breaking free from the aid trap: time for Africa to halt international financial institutions' austerity policies

Guest analysis by Faith Lumonya, Akina Mama wa Afrika

'Aid trap' continues despite significant ODA cuts amidst political change in donor countries

BWIs continue to facilitate Finance of essential services across Africa, deepening dependency trap and compromising sovereignty

Most people around the world are oblivious to the ways in which global power relations determine African governments' capacity to respond to socio-economic and political challenges. Over the past 100 years, foreign aid structures that began with European colonialism have become tied to shifting economic, social and political interests in favour of the Global North. Even after colonised African states gained their political independence, foreign support as Official Development Assistance (ODA) continued, with a focus on economic development, albeit under the direction of multilateral organisations like the United Nations, the International Monetary Fund (IMF) and the World Bank Group (WBG).

The resultant effects of the way ODA is structured have been that African governments have increasingly lost the policy and fiscal space and sovereignty to develop their own developmental policies, while institutions, as donors, continue to play a significant role through policy conditionalities and programme development. It is no wonder that the recent decision to immediately freeze global aid flows by the United States Agency for International Development (USAID) sent shockwaves through the global health community. It unleashed a "state of uncertainty" about how HIV/AIDS, tuberculosis, malaria and related programmes will respond. Additionally, the UK's announcement of further ODA cuts presents further uncertainty.

In 2001, African governments committed to allocate at least 15 per cent of their annual budgets to health financing. However, more than 20 years later, the average allocation of government budgets to healthcare across Africa is 7.2 per cent. The out-of-pocket expenditure on healthcare in Sub-Saharan Africa averages over 35 per cent of total funding, and is the second-highest rate globally after South Asia. In fact, a 2017 report indicated that out-of-pocket spending in countries like Nigeria, Cameroon, Equatorial Guinea and Sudan was over 70 per cent. This reliance on out-of-pocket spending is systemic and deeply structural, and has placed an unfair burden on citizens.

Structural adjustment and the 'aid trap': kicking away the ladder

The role of the Bretton Woods Institutions (BWIs) – the World Bank and the IMF – in deepening foreign aid dependency cannot be ignored. In the 1980s, the BWIs pioneered the Structural Adjustment Programmes (SAPs) – i.e. making financial resources dependent on liberalisation, deregulation and privatisaion – in regions including Africa and Latin America. SAPs were a set of conditionalities that drove the restructuring of African economies. These included the implementation of austerity programmes, i.e. spending cuts particularly to healthcare, education, social protection, agricultural extension, among others; increasing tax rates, particularly indirect consumption taxes; or a combination of both. Since then, key social sectors such as healthcare have fallen into the hands of donors and the private sector. These reforms have been renamed as 'prior actions' in World Bank Development Policy Financing (see Inside the Institutions, *What is WBG Development Policy Financing?*) and continue to serve the same function – ramping up especially now under the newest wave of austerity.

The BWIs' austerity policies effectively diminish African states' direct involvement in development, consequently creating a lacuna that is claimed must be filled by ODA. It is therefore not surprising that the US, the European Union and other wealthy states are key donors, also investing in for-profit healthcare, and consequently benefitting from such investments. As we reflect on the words of former Zambia Vice President Simon Mwansa Kapwepwe, "If as Africans we don't handle our independence very well, colonisers will come back in the form of investors. Colonialism is like a chameleon, it changes its colours." It is clear that the dominant influence of Global North states within the IMF that effectively promulgates austerity measures in Africa is not by accident. In the case of the IMF, the US, as the Fund's largest shareholder with 16.5 per cent of voting power, wields veto power over crucial policy decisions, with some requiring 85 per cent approval.

Historically, donor support has been a notable component of Africa's health financing, yet it is unsustainable as a primary source. In most Sub-Saharan African nations, donor funding contributes up to 20 per cent of healthcare expenditure. A 2020 study revealed that in Malawi and Mozambique, donor funds accounted for as much as 60 per cent of healthcare expenditure. Donor funds are also often designated for specific health programmes – such as vaccination, HIV/AIDS, malaria, tuberculosis and more recently, maternal and child health – limiting their flexibility for broader healthcare needs. As such, they promote short-term solutions that centre foreign and corporate-driven interests and treat women, youth, indigenous, black and brown people as third class citizens.

Aid, in whatever form, is a neo-colonial tool and an instrument of imperial domination. African governments, now more than ever, must become more conscious of IMF and WBG policy conditionalities that undermine their sovereignty and space to determine their development trajectories.

tinyurl.com/AfricaAidTrap

A closer look at the World Bank's revised Country Partnership Framework

This new *Inside the Institutions* explores the World Bank's revised Country Partnership Framework, which aims to boost impact through focus and efficiency. It highlights concerns over the commodification of development, limited civic participation and an over-reliance on private sector solutions, while lessons from World Bank's own research underscores the need for deeper structural reform.

tinyurl.com/WBGCountryPartnerships

FINANCE news

Private lenders' resistance to Ethiopia's debt relief highlights urgent need for debt architecture reform

Private creditors refuse to participate in Ethiopia's debt restructuring

Ethiopia's experience highlights the need for urgent reform of the international sovereign debt architecture and review of the IMF's role within it

Ethiopia is facing challenges in reaching an agreement with bondholders under the G20's Common Framework for Debt Treatments (CF) after its 2023 default, highlighting the need for structural reform of the current *ad hoc* international debt restructuring system (see *Observer* Spring 2023). The country began debt relief negotiations under the CF in 2021. However, these were delayed by the country's civil war, which ended in 2022. Ethiopia made payments until 2023, giving creditors no reason to negotiate.

In July 2024, the IMF agreed a four-year $3.4 billion Extended Credit Facility Arrangement with Ethiopia after receiving assurances of a debt reprofiling agreement from a committee of bondholders. This would have resulted in a 18 per cent "haircut" while still ensuring significant profits for bondholders. However, *BNN Bloomberg* reported on 3 October 2024 that bondholders refused the government's proposal.

The country is the latest victim of the dysfunctional CF, which even the World Bank has criticised (see *Dispatch* Springs 2023). As the *Financial Times* (FT) reported on 17 February, the bondholder committee "accused the fund [IMF] of attempting to 'reverse-engineer' debt relief...and also said it was reserving legal rights over the debt after it rejected a proposal by Ethiopia to write down the bond last year."

Private lenders continue to hold up critical debt restructuring

As outlined by the *FT*, bondholders have accused the IMF of undue pessimism in its assessment of the sustainability of Ethiopia's debt. This contradicts evidence provided by experts, which has repeatedly shown the Fund's debt sustainability assessments are overly optimistic about states' growth prospects and debt carrying capacity, causing devasting economic and human rights consequences (see Inside the Institutions, *What is the WB and IMF debt sustainability framework?*). In Ethiopia's case, the IMF is projecting that exports will grow 60 per cent faster than the historical average.

In January, the African Forum and Network on Debt and Development (AFRODAD), the Horn of Economic and Social Policy Institute (HESPI) and UK-based civil society organisation, Debt Justice, published an analysis of Ethiopia's debt restructuring process. It stressed, *inter alia*, that bondholders continue to hold out on essential debt restructuring despite having been offered a generous deal that would have enabled them to make a 31 per cent profit. A 17 February statement emphasised that, "Bondholders using the threat of legal action to push debtors into worse deals shows exactly why changes are needed to legally suspend payments during debt restructuring negotiations....Creditor governments need to do far more to make private lenders participate in debt relief, including passing laws in the UK and New York so that hedge funds, banks and asset managers cannot hold out from fair levels of debt relief."

tinyurl.com/EthiopiaDebt

ACCOUNTABILITY news

Civil society and communities achieve victory as World Bank cancels tourism project in Tanzania

The World Bank has cancelled its $150 million loan to finance the Resilient Natural Resource Management for Tourism and Growth (REGROW) project to expand Tanzania's Ruaha National Park (RUNAPA).

The announcement was made public after nearly two years of advocacy "to hold the Bank accountable for enabling the expansion of RUNAPA and supporting TANAPA, the paramilitary Tanzania National Parks Authority," one of the leading implementing agencies, which communities have accused of killings, evictions and cattle seizures among many other violations. The Bank initially suspended disbursements to the Project in April 2024 alleging the Tanzanian government's "non-compliance with [the Bank's] Environmental and Social (E&S) obligations." In October 2024, nine UN Special Rapporteurs sent a letter to the Government of Tanzania, expressing serious concerns and seeking clarity on the project's due diligence.

In a context where the Bank's accountability has been increasingly questioned (see *Observer* Winter 2024, Autumn 2024), "The historic cancellation of the REGROW project...was a necessary first step towards justice," said Andy Currier, Policy Analyst at the Oakland Institute. "The Bank must now be held accountable by revoking the park expansion enabled by the project and paying comprehensive reparations for the killings and economic devastation it has caused," he added.

tinyurl.com/REGROWProject

CRITICAL VOICES ON THE WORLD BANK AND IMF

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

+44 (0)20 3122 0610
info@brettonwoodsproject.org
www.brettonwoodsproject.org
@brettonwoodspr
facebook.com/BrettonWoodsProject

The *Observer* is available in print, on the web, and by email.

Subscriptions
www.brettonwoodsproject.org/subs

Spanish
www.brettonwoodsproject.org/es/observador

No permission needed to reproduce

ISSN 2053-7522

Printed by Chapel Press Ltd on recycled paper.

The Bretton Woods Project is an ActionAid hosted project, UK registered charity no. 274467, England and Wales charity no. 274467, Scottish charity no. SC045476.

This publication is supported by a network of UK NGOs, the C.S. Mott Foundation, the William and Flora Hewlett Foundation and the Wellspring Philanthropic Fund.

The views expressed in this publication by guest authors do not necessarily represent those of the Bretton Woods Project.