SUMMER 2025

BRETTON WOODS project

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

FINANCE analysis

# Civil society demands unconditional debt relief in Jubilee year

**In critical Jubilee year, civil society calls for a UN-led sovereign debt workout mechanism at FfD4**

**BWIs' key shareholders water down final outcome document to keep their grip on the international financial architecture**

**With debt relief increasingly urgent, civil society is exploring new approaches to shift power away from creditors**

In a critical year for the Jubilee campaign, the Fourth UN Financing for Development Conference (FfD4), held in Seville from 30 June to 3 July, intensified concerns over the concentration of decision-making power in sovereign debt governance (see *Observer* Spring 2025). Civil society groups and blocs of developing countries have called for a shift away from creditor-led restructuring processes and toward a UN-led sovereign debt workout mechanism, where all countries participate on equal footing.

Yet these demands were diluted in the 17 June final outcome document, the *Compromiso de Sevilla*, following resistance from major creditors, including the EU and the UK. Even with its weakened language, the document faced backlash: the US withdrew from negotiations, arguing, according to *Devex*, that the outcome "improperly seeks to usurp the existing governance role of international financial institutions" while other key shareholders of the Bretton Woods Institutions (BWIs), including Canada, Japan and the EU, dissociated from the language on an UN intergovernmental process on debt in the final text.

FfD4 took place amid ballooning debt service costs and the declaration of a Jubilee year by the late Pope Francis – now supported by his successor, Pope Leo XIV – calling not only for debt relief but for a broader rethinking of the global economic system "to guarantee the dignity of the human person and the common good." In 2024, German civil society organisation (CSO) Erlassjahr's Global Sovereign Debt Monitor, found that 130 out of 152 Global South countries were in debt distress, with 55 per cent of them classified as critically or very critically indebted. According to the World Bank's *International Debt Report*, developing countries spent $1.4 trillion servicing external debt in 2023, with interest payments alone increasing by nearly a third to $406 billion, the highest in two decades (see *Observer* Winter 2023).

The World Bank noted that these payments are "squeezing the budgets of many countries in critical areas such as health, education, and the environment." UNCTAD's *A World of Debt* report found interest payments now outpace spending on essential services in many countries, with 3.3 billion people living in states that allocate more to interest than to either education or health (see *Observer* Summer 2025).

### Calls for a UN-led debt workout mechanism remain unmet

In May, the African Union hosted its first continental Debt Conference in Lomé, Togo, concluding with a call for African nations to push for a UN framework convention. This built on the Africa Group's inputs to FfD4, which proposed establishing "a multilateral sovereign debt workout mechanism" overseen by a global debt authority. While eventually voted down by the Parliament, the European Parliament's Development Committee also

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supported an intergovernmental approach to debt governance ahead of FfD4. Similarly, the Alliance of Small Island States (AOSIS) stated in April 2024 that "there must be debt workout mechanisms for the most at-risk."

Yet while paragraph 50(f) of the *Compromiso* references initiating an intergovernmental process at the UN, the language strips away any binding commitments, replacing them with vague aims to "make recommendations" and "explore options to address debt sustainability," calling for a "dialogue" involving UN Member States, the Paris Club, official creditors and debtors, the IMF, World Bank, other multilateral development banks, private creditors and other relevant actors.

Patricia Miranda, of the Latin American Network for Economic and Social Justice (Latindadd), stressed: "Northern countries were determined to scale back ambitions at FfD4, proving that a reform is not only necessary – it is urgent. Only a UN Framework Convention on Sovereign Debt, with a multilateral debt resolution mechanism, can deliver sustainable and fair solutions under democratic governance, where all voices count."

**G20 and IMF's grip on debt governance**

These calls challenge current sovereign debt governance, where creditors hold decision-making power and key mechanisms like the Paris Club and the G20 Common Framework fail to deliver timely and equitable debt restructuring (see *Observer* Spring 2024, Spring 2023, Winter 2020).

The BWIs, particularly the IMF, are key actors in this system. The Fund's Debt Sustainability Analyses (DSAs) carry significant weight across the financial system, informing not only IMF and World Bank lending decisions and private creditors' risk assessments, but also potentially triggering restructuring requirements as a condition for IMF lending (see *Observer* Autumn 2023, Autumn 2022). As Professor Ahilan Kadirgamar from the University of Jaffna in Sri Lanka argues, "there is clearly a conflict of interest in the IMF's role as a lender and an arbiter."

As a result, the Fund's assessments display a tendency towards over-optimistic projections and fiscal consolidation measures that reduce the policy space needed for development finance, much less economic transformation (see *Observer* Spring 2023). In its contribution to FfD4, the IMF acknowledged that achieving the Sustainable Development Goals by 2030 "appears increasingly unlikely," yet still deems most countries' debt 'sustainable' – portraying the growing chasm between its definition of sustainability and actual development financing needs – reinforcing UNCTAD's call for a more development-oriented debt architecture.

Recent research from Boston University's Global Development Policy Center called for urgent debt relief to enable climate and development goals, showing that if IMF debt assessments included climate and development spending, 41 of 62 countries studied would exceed solvency limits by 2028. Even the World Bank's chief economist argued, "It's time to face the reality: the poorest countries facing debt distress need debt relief if they are to have a shot at lasting prosperity."

**A Jubilee moment?**

Amid the critical Jubilee year, the late Pope Francis' Jubilee Commission – comprised of over 30 experts chaired by Joseph Stiglitz – released a report on 20 June calling for debt relief and reforms aimed at addressing the debt crisis and preventing its recurrence. While stopping short of endorsing a UN-led mechanism, it urged changes to IMF and World Bank policies to support sustainable recoveries, "not *de facto* bailouts of private creditors or crippling austerity." Yet with many FfD4 proposals focused on 'conditional' debt relief or other suspension initiatives – such as climate-linked pause clauses and Spain's push to establish a global debt swap hub, which CSOs have criticised – systemic reform of debt governance is elusive.

Fadhel Kaboub of the Global Institute for Sustainable Prosperity, and Andrés Chiriboga-Tejada, a postdoctoral researcher at UNAM's Institute for Economic Research, who recently analysed the challenges and possibilities for debtors' collective action in a report for the South Africa-based Institute for Economic Justice, argue, "Stalled reforms and the need for immediate debt relief urge coordinated action among indebted countries. The Global South should use its collective market size, natural resource wealth, and labour force as leverage for a 'Bargain of the Century' – one that demands technology transfers and industrial investment from major economic players. This bargain could initiate a new era of South–South and South–North cooperation based on mutual benefit rather than asymmetric power dynamics."

***tinyurl.com/JubileeCampaign2025***

RIGHTS news

# World Bank due to renew Fragility, Conflict and Violence Strategy in 2025

With the World Bank's current Fragility, Conflict and Violence (FCV) Strategy (2020-2025) expiring this year, a new strategy is expected to be developed. The topic was discussed at the Spring Meetings, but no release date is publicly available yet. While some thematic focuses, such as climate change and gender, have become contentious in recent months (see *Observer* Spring 2025), FCV appears to be a point of consistent and even increasing focus for the Bank.

Amidst far-reaching and severe humanitarian consequences of numerous fragile and conflict situations happening around the world, the institution noted that by 2030, up to two-thirds of the world's extreme poor will live in FCV-affected countries. The Bank recently announced in its 21st replenishment of the International Development Association (IDA21), the Bank's low-income country arm, that FCV – a special theme – would see a 27 per cent increase in financing (see *Observer* Summer 2025). The current FCV strategy, which the Independent Evaluation Group (IEG) recently analysed, was the Bank's first strategy on this topic and was consulted on publicly.

It is crucial for CSOs to engage in the new strategy's development, particularly on integrating the impact of Bank policies on the political economy of conflict and fragility (see *Observer* Autumn 2018) and adhering to human rights norms as advised by the UN. Thus far, the Bank has released thematic research, including a recent paper on the intersection of advancing gender equality and addressing FCV. Monica Erwér of Swedish civil society organisation Kvinna till Kvinna, who defend the rights of women in conflict-affected areas, noted "the current strategy does recognise the importance of gendering FCV and mentions the UN Women Peace and Security agenda. However, there is a lack of a transformative perspective on peace, and it is still too focused on protection, not prevention."

***tinyurl.com/WorldBankFCV***

FINANCE analysis

# Sri Lanka and the IMF: Another stark example of the need for urgent debt restructure reform

Guest analysis by Charith Gunawardena, Institute of Political Economy, Sri Lanka

**IMF's latest programme in Sri Lanka demands severe socially and economically damaging austerity**

**Sri Lanka's situation highlights persistent shortcomings of IMF's debt sustainability analysis and its creditor bias**

**Failures of Sri Lanka's 17 Fund programmes evidence urgent need for new independent debt restructure mechanism**

The global economy stands at a critical crossroads, and Sri Lanka is no exception. The Trump administration's policy priorities, from focusing narrowly on trade imbalances, downplaying the urgency of the climate crisis, and maintaining a deep faith in market-based solutions for social issues, are likely to compound challenges Sri Lanka already faces.

The disproportionate economic influence of the United States, coupled with its normative power within global institutions such as the IMF, poses a significant challenge. This is further aggravated by the persistent lack of democratic legitimacy within the IMF and the broader international financial architecture, where decision-making remains heavily skewed in favour of advanced economies and creditors.

### The long and failed history of the IMF in Sri Lanka

In 2022, Sri Lanka defaulted on its external debt for the first time, triggering a severe economic crisis marked by inflation, shortages and social unrest. In response, the country's entered into its 17th loan programme with the IMF – a recurrence that signals not a path to sustainable development, but a deepening cycle of dependency.

Sri Lanka's experience exemplifies the sovereign debt trap that entangles many developing countries within a structurally unjust global financial system. The country's debt crisis is the result of years of irresponsible borrowing – much of it enabled or encouraged by the IMF and other reckless international lenders – due to reliance on global money markets for finance. In the early 2010s, Sri Lanka began issuing high-interest sovereign bonds to foreign creditors, a strategy seen as risky even then.

The current agreement, in common with its predecessors, is based on a flawed IMF Debt Sustainability Analysis (see *Observer* Autumn 2023) that makes overly optimistic assumptions, maintaining the illusion of capacity to service debts. Without fundamental changes to this framework, the deal risks mimicking those before and worsening inequality, undermining long-term development, and locking the country into yet another cycle of austerity and dependence.

Increasingly, progressive economists argue that Sri Lanka's arrangement offers only short-term liquidity at the cost of long-term resilience, with projections suggesting the possibility of another default as early as 2028. This pattern illustrates how such debt arrangements often serve to stabilise creditor interests rather than support genuine economic recovery or democratic sovereignty.

### IMF's current strategy and its failures

The IMF's latest programme, while framed as a necessary lifeline, has imposed harsh austerity and other measures that have disproportionally affected the poor, including currency devaluation, steep interest rate hikes, significant indirect tax increases, subsidy cuts and reduced public expenditure. All the while, despite being in deep economic distress, Sri Lanka continued servicing its debt until its foreign exchange reserves were completely depleted.

At the heart of the IMF's strategy is a critical flaw: Sri Lanka's debt obligations are largely in US dollars, yet its economic output is measured in Sri Lankan rupees. As argued by professor Jayati Ghosh of the University of Massachusetts-Amherst in the US, by anchoring repayment to GDP growth in dollar terms, the programme ignores the country's actual ability to earn the foreign exchange needed to repay its debts.

Moreover, the IMF's sweeping influence over Sri Lanka's economic policy has sparked concern amongst civil society groups and economists. While some structural reforms are necessary, the IMF's emphasis on fiscal tightening, interest rate hikes and reduced public spending restricts the government's ability to invest in people-centred development and on urgently needed climate change mitigation and adaptation. The persistent pressure to increase foreign currency earnings – primarily through exports, tourism, remittances and foreign direct investment – often comes at the expense of the wellbeing of the population. This externally driven growth model entrenches a cycle of dependency, leaving the country vulnerable and ill-prepared to withstand future exogenous shocks.

### Justice and reality: a path forward

To truly support Sri Lanka's recovery, debt restructuring must reflect the country's actual capacity to repay. While the IMF acknowledged in its contribution to the Fourth Financing for Development Conference in Seville, Spain, in July that countries lack fiscal space to invest in essential, growth producing human development and infrastructure, it nonetheless continues to deem their debt sustainable. What is required is negotiating reductions in the total debt, securing lower interest rates and extending repayment timelines. These steps would ease pressure on public finances and allow the government to preserve essential services like healthcare, education and social protection. At the same time, Sri Lanka must boost its foreign currency earnings through strategic investment in value-added exports, sustainable tourism and curbing illicit financial flows. The IMF has a critical role to play in supporting – not constraining – this transition by moving beyond narrow economic targets and helping to build a resilient economy.

A smarter, fairer debt restructuring – one aligned with foreign currency earnings and committed to social development – can lay the groundwork for real economic sovereignty.

***tinyurl.com/SriLankaIMF***

INFRASTRUCTURE news

# Ghana's gas debt provides cautionary tale as World Bank reconsiders support for upstream gas projects

**After following World Bank reform model, government faces crippling debts and high energy costs**

**ActionAid Ghana calls for cancellation of fossil fuel debt, after Bank committed $1.2 billion in troubled flagship Sankofa offshore gas project**

An April report from ActionAid Ghana and Netherlands-based civil society organisation SOMO provided a withering assessment of Ghana's derailed development progress, following the discovery of offshore oil and gas in 2007 amid widespread World Bank support for the country's gas development.

The report comes as the World Bank board is reportedly reconsidering its 2017 decision to phase out investments in 'upstream' gas (see *Observer* Summer 2025, Spring 2018).

The report, *Gaslighting Ghana: How World Bank-backed projects drive crippling energy debt and fossil fuel dependency in Ghana*, noted, "By 2022, Ghana found itself unable to meet debt repayment obligations for the third time since it became a fossil fuel producing country," despite the IMF initially hailing oil and gas revenues as key to the country's economic development, and the World Bank investing heavily in the sector.

It noted that the development of Ghana's offshore gas reserves and the concurrent development of new gas power plants owned by independent operators – both supported by the World Bank Group – have meant that, "Ghana currently has an expensive, unreliable power sector that requires hundreds of millions of public subsidies each year to stay afloat, including payments to meet controversial obligations with foreign companies."

The World Bank Group backed Ghana's flagship Sankofa offshore gas field with $1.2 billion in financing and guarantees in 2015, and has committed nearly $2 billion to Ghana's oil in recent decades (see *Observer* Spring 2020). Across the board, Ghana's gas development has been structured via public-private partnerships with 'take or pay' clauses that guarantee regular payments to foreign investors whether energy is needed or not, collectively "draining over $1 billion of Ghana's public funds annually," per the *Gaslighting Ghana* report.

**Ghana's citizens foot the bill for World Bank's over-optimism, as foreign investors cash in**

According to a 2024 World Bank Programme for Results (P4R) project document, "Ghana was one of the first countries in Sub-Saharan Africa to unbundle its electricity sector and host independent power producers (IPPs)" – following a World Bank-led reform model that has been increasing criticised by unions and civil society organisations (see Briefing, *Gambling with planet's future?*).

This private-sector led approach remains widely promoted by the Bank, including through policy targets under the 21st replenishment of the International Development Association (IDA) – its low-income country arm – aimed at making energy utilities more 'fiscally sustainable', and through country energy compacts linked to its new Mission 300 energy access initiative in Sub-Saharan Africa (see *Observer* Summer 2025; *Dispatch* Springs 2025).

Ghana's citizens have carried the burden of growing debts from its gas development. At the 2024 Spring Meetings, Ghana's then-energy minister Dr Mohamed Amin Adam said the country has agreed to raise tariffs by 70 per cent, as part of the latest wave of World Bank-based reforms, linked to a $260 million P4R financing agreement signed in May 2024. This adjustment reflects – in part – the increasingly expensive cost of electricity in Ghana, with IPPs providing electricity at rates significantly higher than in regional neighbour Nigeria, according to the *Gaslighting Ghana* report.

John Nkaw, ActionAid Ghana's country director rejected the Bank's policy approach in the *Gaslighting Ghana* report's foreword, noting, "Ghana's energy future must be climate-resilient, democratically governed, and free from exploitative fossil fuel arrangements. We call for an end to new coal, oil, and gas projects, the cancellation of fossil fuel debt, and a bold shift towards public investment in renewable energy systems that meet the needs of people."

***tinyurl.com/GhanaGas***

## IMF surveillance scanner to be launched this summer

The Bretton Woods Project is designing a new tool for civil society organisations (CSOs) and researchers to access data on the IMF's activities in surveillance, which has a very significant impact on the macroeconomic, social and labour policies of countries (see Inside the Institutions, *IMF Surveillance*).

The updated Article IV Scanner, to be launched this summer, will be free-to-use and enable civil society to find key themes in IMF policy, identify trends in Fund policy advice and better track the political implications of its recommendations, for example, its consistent policy advice on fiscal consolidation.

Using a taxonomy designed by and for CSOs and a combination of AI and human research, the new site will categorise the Fund's reports (which it calls Article IV reports) by policy areas relevant to CSO interests encompassing issues such as fiscal policy, austerity, gender, tax, climate, social protection and financialisaton. It will also allow searches to be refined by country, region and time period. The tool has been designed with the aim of providing an accessible and robust ongoing evidence base that CSOs can use at country level and in global advocacy.

Photo: World Bank

Ghana's then-energy minister, Dr Mohammed Amin Adam, takes part in an Energizing Africa flagship event during the World Bank 2024 Spring Meetings in Washington DC.

FINANCE news

# IDA21 policy package disappoints as prospects for IDA countries continue to darken

**IDA21 'up to' $100 billion replenishment falls short of G20's Independent Experts Group and African aspirations**

**Policy package remains deeply flawed, deepening "billions to trillions" agenda and failing to focus on urgently required economic transformation**

In April, the World Bank board of governors approved the policy package for the 21st replenishment of the International Development Association (IDA21), the World Bank's low-income country lending arm. The package confirms IDA21's five focus areas of people, prosperity, planet, infrastructure and digital transformation; and four lenses of gender, jobs, private investments and fragility, conflict and violence. Whilst donor pledges from the US and UK are pending, the replenishment is set to reach 'up to' $100 billion, significantly below the $120 billion sought by African leaders and a far cry from calls in the 30 June 2023 G20 Independent Expert Group's report for a tripling of IDA resources to $279 billion by 2030.

The document recognises that the replenishment takes place at a pivotal time for IDA countries, noting, "from 2020-24, IDA countries experienced the weakest half-decade of growth since the mid-1990s," and emphasising that, "IDA countries collectively allocate 7.5 percent of their Gross Domestic Product (GDP) to debt service payments. This is higher, on average, than their combined public spending on health, education and infrastructure."

**Policy package: while worst fears of US intervention fail to materialise, significant concerns remain**

While there has been relief that American efforts to reform the policy package on climate and gender were unsuccessful (see *Dispatch* Springs 2025), the fact remains that civil society organisations' (CSOs) proposals and detailed input during the consultation period have been largely ignored (see *Observer* Spring 2024). Instead, the new policy package deepens IDA20's focus on producing an 'enabling' environment for private sector investment with its likely negative consequences for *inter alia* policy sovereignty, domestic resource mobilisation and worker's rights. Relatedly, the new package expands the private sector lending window for the International Finance Corporation (IFC), the Bank's private investment arm, i.e. the contentious and much-criticised Private Sector Window (PSW), from $2.5 to $3.2 billion (see *Observer* Autumn 2021). María José Romero of the Belgium-based European Network on Debt and Development commented, "The package includes an important commitment to greater transparency in the use of PSW funds and its impact. Yet, the increase in its size risks further diverting resources from where they are most needed, such as for high quality universal public services, and deepening the problematic privatisation path in the most vulnerable countries." Significantly, the policy package lacks a focus on, and does not have an indicator to measure, IDA's contribution to desperately needed economic transformation (see *Dispatch* Springs 2024).

The document also lacks references to human rights, including decent work, in its pivotal jobs theme (see *Observer* Summer 2025). Shereen Talaat of Morocco-based CSO MENAfem stressed, "IDA21 continues to ignore calls from civil society, especially feminist movements, for justice-centered development. The package deepens dependence on private finance while neglecting binding commitments to human rights, gender equality, and economic transformation. Without investment in public services, care systems, and redistribution, this approach will only widen inequality and reinforce structural debt and climate vulnerabilities across the Global South."

While gender is integrated as a lens into the package, the approach is insufficient to meet CSO demands, as outlined in a November 2024 joint letter, to "ensure that the care economy, women's rights and access to universal high quality public services are foundational priorities of IDA21" (see *Observer* Autumn 2024), and to alleviate concerns about the reduction of country-specific policy commitments and limited targets related to gender, relative to IDA20.

Jason Braganza of the African Forum and Network on Debt and Development concluded, "IDA21 is a representation of the current global political apathy towards realising ambitious financing commitments for the global development agenda and specifically for developing countries that are facing a quadruple crises of a deepening debt burden; high costs of capital; existential climate threats; and inadequate international financial architecture to address these challenges. The $100 billion will be seen as a victory for some but is a far cry from the $279 billion that was expected. Wealthy countries have yet again fallen short!"

***tinyurl.com/IDAPackage***

Photo: Simone McCourtie/World Bank

IDA21 display at World Bank 2024 Annual Meetings in Washington DC.

FINANCE analysis

# The IMF's upcoming surveillance review: In an ever more urgent global context, the Fund must learn lessons from its past failures to reform

**The IMF's review of surveillance takes place this year among deepening global polycrisis**

**Civil society groups call for the IMF to conduct mandatory impact assessments of its own policies**

**Civil society also demands mandatory country level consultation to make surveillance responsive to the needs of countries**

The IMF's Comprehensive Surveillance Review (CSR), which will be conducted this year, occurs in a global context in which it is vital to ensure that countries have policy sovereignty, including the ability to take action on issues such as climate change and rising inequality.

Surveillance is one of three main activities of the IMF – an annual macro-economic health check that is required for all IMF members (see Inside the Institutions, *IMF Surveillance*). Unions, academics, UN bodies and civil society organisations (CSOs) have long argued that the policies the IMF promotes through its surveillance undermine the capacity of states to fulfil their legally binding human rights obligations, exacerbate inequalities within and between countries, contribute to social and political instability, and disproportionately hurt the poor and marginalised (see Inside the Institutions, *What are the main criticisms of the World Bank and the IMF?*).

Interestingly the 2022 Guidance Note and the Independent Evaluation Office (IEO)'s evaluation of the Fund's evolving mandate bear striking similarities with CSO recommendations and previous reviews in the areas of social and climate impacts. This suggests that what has been lacking so far is not consensus on required changes, but the political will to implement them.

### Economic sustainability requires a systematic assessment of distributional impacts

The 2021 CSR highlighted the centrality of economic sustainability, which in the 2022 guidance note included: "distribution and inclusiveness, health and education, environment and climate, pandemic preparedness, and socio-political and geopolitical factors." These are even more pressing as growing socio-economic disparities directly linked to the Fund's pursuit of ever deepening austerity (See *Observer* Summer 2025), wreak havoc in the global polity and economy. In the Fund's 2021 review, directors "supported incorporating the macro-financial and distributional impacts of policies, where macroeconomically relevant."

Despite this, the Fund's work on systematically addressing distributional impacts has been insufficient and when the social and gendered impacts of Fund policies are dealt with in surveillance reports (i.e. Article IVs), they are often disconnected from the policy advice as a whole. This raises questions such as whether the policy advice is unified and coherent, the degree to which it reflects local dynamics, whether there is an adequate discussion of the policy mix, including counter-cyclical approaches, and whether this approach is even-handed – i.e.: treats countries equally. Recognising this, the 2021 review calls for a "more unified policy advice that discusses the appropriate policy mix and associated trade-offs."

Civil society has argued that this should be systematised through mandatory distributional impact assessments that are made public. Nabil Abdo of Oxfam International states, "inequality should not be merely a rhetorical concern for the Fund. Mandatory and systematic distributional impact assessments of its fiscal policy recommendations will give the authorities and the public a clear picture of the inequality impacts of the Fund's policy advice. This would also enable the Fund staff, authorities and stakeholders to discuss different and alternative policy mixes that share the burden of reforms equitably, especially by the wealthiest in society."

### Ownership and Fund engagement must be improved with mandatory country level consultation

The Fund's current *ad hoc* consultation processes impact negatively on the robustness of surveillance, contributing to lack of ownership, inflexibility and inadequate tailoring of policy approaches to the needs of countries. The 2021 review stated that there is "an increasing need to collaborate with a broader range of organisations, including specialized organisations and NGOs" and that such dialogue is necessary throughout the process of surveillance. These calls are again reflected in the 2022 Guidance Note, which encourages staff to "routinely request meetings with political leaders (e.g., parliamentarians), trade unions, business representatives, and CSOs" particularly on issues which are macro critical, but where the Fund does not have expertise.

Yet again, there has been insufficient progress on improving consultation practices in the Fund. Abdo argues, "although the Fund has improved over the years in its engagement with CSOs, there is still a long way to go. The Fund should not only seriously take into consideration CSOs' input, but also encourage dialogue between CSOs and the government, as well as have a clear and public calendar about mission visits to countries, more structured and deep discussions with CSOs, and most importantly make this engagement mandatory and systematic and not dependent on the goodwill of staff."

### Emerging issues *versus* 'core' mandate

There has been much attention paid to the Fund's work in 'emerging issues' (i.e. gender, climate and inequality) particularly with US Treasury Secretary Scott Bessent's call for the Fund to return to its 'core' mandate, i.e. macrostability issues. However, it is precisely the Fund's 'core' activities that impact on countries' abilities to uphold human rights, including economic, social and cultural rights, for the majority of their populations, and to enact policies that will make life on this planet liveable for future generations. The Fund's work in these areas must integrate and ensure compliance with international agreements on climate, the Sustainable Development Goals (SDGs) and international human rights law. Federico Sibaja of international CSO Recourse states, "On climate, this means that the IMF must ensure its fiscal, financial, monetary and exchange rate policy advice allows countries to fulfil targets under the Paris Agreement. GHG emissions cuts must uphold climate-resilient development, and abide by the UNFCCC principle of Common but Differentiated Responsibilities (CBDR) principle according to which historic emitters must take the lead in decarbonisation and financial support." On socio-economic and gender impacts, the Fund should limit its interventions to the impact of its own policies and systematically address negative impacts through providing alternate policy options to countries.

***tinyurl.com/SurveillanceReview***

PRIVATE SECTOR news

# From billions to nowhere: Ajay Banga's development mirage

**Banga's presentation of 'new' private sector-led development approach recycles the discredited "billions to trillions" model**

**Civil society groups fail to spot the difference from previous failed efforts and warn approach continues to prioritise investor returns over public good**

In tandem with the US unveiling a development agenda rooted in national interest and transactional commitments, World Bank President Ajay Banga published an op-ed in the *Financial Times* in April ahead of the Spring Meetings, positioning private capital as central to the Bank's approach and framing it as a reformist shift. Yet this repackages old assumptions with little evidence, sidestepping contradictions in the Bank's private finance agenda and distancing it from stronger climate and gender commitments to appease its main shareholder.

Banga's claim of a new era in private sector engagement overlooks nearly a decade of unmet goals under "billions to trillions" and Maximizing Finance for Development agendas (MFD; see *Observer* Summer 2023, Spring 2022). Even Bank officials like its Chief Economist Indermit Gill have called the model a "fantasy", noting that since 2022 private creditors have extracted $141 billion more in debt payments from developing countries than they have lent, undermining claims of large-scale mobilisation.

Civil society organisations (CSOs) have long demanded that the Bank substantiates its claims by providing disaggregated data on private capital mobilisation, including which sectors and instruments work best, and where concessional finance is most effective. The OECD's own analysis showed 87 per cent of mobilised private finance from 2018-2020 went to middle-income countries, just 12 per cent to low-income ones, and only 7 per cent to social infrastructure. Moreover, private investment in health and education often brings serious risks, as shown by repeated IFC-linked scandals involving poor-quality care, profiteering, and weak oversight in private hospitals and low-cost private schools (see *Observer* Spring 2025, Spring 2024). These failures reveal how profit-driven models in essential services can worsen inequality and undermine accountability – raising fundamental doubts about the Bank's private sector-first approach.

**Rebranding, not reform**

Banga notes private investment will only flow where "strong infrastructure and predictable regulation" exist. To create these conditions, the Bank increasingly uses financial instruments like guarantees, securitisation and development policy financing reforms (see Briefing, *A just energy transition deferred*). In practice however, guarantees offer protection for investors against political or credit risks, while exposing host governments to contingent liabilities rarely disclosed publicly. The IFC's securitisation programme which transforms development loans into securities to be sold on secondary markets, creates further risk by importing volatility and complexity into fragile economies. These tools are celebrated as "catalytic", yet there is no publicly available evidence on which sectors or instruments have delivered the greatest development impact.

Banga's pledge to boost sectors like energy, agribusiness, healthcare and manufacturing in resource-rich countries overlooks the World Bank's role in weakening state capacity. Through structural adjustment, deregulation and privatisation, the Bank's policies have undermined domestic industry and inclusive growth, creating commodity dependence without economic transformation (see *Observer* Autumn 2024; Inside the Institutions, *What are the main criticisms of the World Bank and the IMF?*). In mineral-rich nations, this has fostered enclave economies dominated by foreign firms with limited local benefits. While Banga emphasises job creation, the impact is questionable. According to UNCTAD's *2023 World Investment Report*, private investments in capital-intensive sectors often create few, low-wage, short-term jobs with little protection, casting doubt on their true developmental value (see *Observer* Summer 2025).

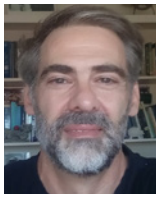
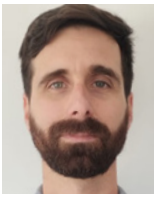
"The strong support for a private finance-led development agenda is a huge leap in the dark. Enticing private capital into countries of the Global South requires offloading risk – onto them. What is needed is economic transformation and industrial policy that allows states to escape debt and dependency, reduce exposure to external shocks, and increase capacity to safeguard human rights while supporting the aspirations of people from the Global South," notes Maria Jose Romero of Belgium based CSO Eurodad.

***tinyurl.com/BangaCascade***

Photo: Tolani Alli/World Bank

Event at the World Bank Group & IMF Spring Meetings 2025 titled, Jobs – The Path to Prosperity.

FINANCE commentary

# IMF and Milei – partners in Argentina's neoliberal autocracy

Guest comment by Juan Pablo Bohoslavsky and Francisco Cantamutto, Argentina's National Scientific and Technical Research Council (CONICET)

**IMF approves new $20 billion loan for Argentina despite disastrous 2018 programme**

**New programme supports largest fiscal adjustment in country's history**

**IMF complicit in human rights impacts of the government's autocratic neoliberal policies**

After seven years, and 20 agreements since 1956, under IMF programmes, Argentina remains in an economic crisis. Following a brief period without its presence, the IMF came back in 2018 in the midst of a crisis that has lasted ever since. President Javier Milei's current orthodox government is implementing a regressive austerity plan that is at odds with international human rights law while the IMF reinforces its complicity.

Milei's government took office in December 2023, campaigning on a promise of the largest fiscal adjustment in the country's history. This economic policy proposal is directly at odds with the rule of law. With a small minority of legislators in Congress, with no governors or mayors, Milei has governed based on executive decrees, without further discussion and parliamentary approval. In fact, there is no approved national budget for 2025. The reason given by the minister of finance for circumventing the constitution is that the government did not go to Congress as per the law on national borrowing because they didn't have the votes to get it passed.

Orthodox economic policy has harmful effects on the ability of the government to comply with its legally binding international human rights obligations. In 2024, public spending fell by 25 per cent, with one third explained by cuts in the pension system, provoking persistent protests by retirees, who have been harshly repressed. Even journalists covering the events have been repressed by the police. The adjustment has meant the interruption of programmes aimed at early childhood, victims of gender violence, the early warning system for extreme weather events and the provision of medicines for prolonged treatment, among other dramatic examples. Education, science and technology systems have the lowest budgets in two decades.

The government celebrates having fiscal surplus because it hides in the public accounts the growth of accrued interest associated with the expansion of public debt. Milei's government is using fiscal adjustment as an anchor to lower inflation. To achieve this, it is also using two other anchors: a fall in real wages – and the exchange rate. Despite the IMF's evaluation of the success of the programme, the anchor requires an increasing flow of incoming dollars. And these dollars have dried up because of persistent debt interest payments. In that context and after the evident failure of its previous programmes, the IMF reappears to add a dollar flow to extend Milei's austerity plan for some time.

**The harmful IMF (self-perceived) "bailout"**

Argentina has a long and harmful history with the IMF. Since it signed a Stand By Agreement in 2018, the country has been caught in a downward spiral of recession and inflation (see *Observer* Summer 2018). As acknowledged by then US Executive Director at the IMF Mauricio Claver-Carone, the agreement aimed to support then President Mauricio Macri. The IMF lent some $44.5 billion, financing capital flight for an equivalent amount, until the government lost the elections. In the midst of an exchange rate and financial crisis, Argentina went into partial default in 2019.

In 2022 it signed a new extended facility agreement, to finance the repayment of the 2018 agreement (see *Observer* Spring 2022), under commitments to make a fiscal adjustment, reduce monetary issuance and accumulate reserves. Despite the critical review by its own Independent Evaluation Office, the IMF did not act on it. It did not grant relief, on the contrary, it overcharged the country, throught its counter-productive and illegal surcharges policy, for the amount borrowed and the repayment terms. After seven years under IMF programme-related surveillance, the country did not regain access to capital markets, making the possibility of repayment to the organisation not credible.

In 2025 the IMF deepened its bet with Argentina, financing the adjustment of an ultra-orthodox, issuing a loan of $20 billion. Convinced that this is a painful but necessary task, the Fund omits any consideration of, and indeed fails to measure, the social effects of these policies. Apropos of US Treasury Secretary Scott Bessent's statement that the IMF must refocus on its core missions, the repeated failure of IMF's involvement in Argentina and the US' strong support for the current programme highlight the impact of the institution's unequal distribution of power and democratic deficit on the Fund's ability to promote macroeconomic stability. The loan was reinforced by the promises of an additional $22 billion from the World Bank and the Inter-American Development Bank.

The IMF Managing Director, Kristalina Georgieva, went so far as to express the need to support the government in 2025's legislative elections, although she later sought to retract her statement. With these funds comes the pressure to advance in regressive labour and social security reforms, together with privatisations of public companies. None of the requirements are associated with improving the living conditions or wellbeing of the population. Unfortunately, this is nothing new, as the IMF continues to promote austerity policies widely, diminishing human rights as it goes.

Beyond that, and under the Fund's own terms, the central question is which private creditor will lend to Argentina, if the IMF is considered as a privileged creditor, and has a balance of almost $60 billion in its favour. The return to the capital market only seems possible under conditions that would be disastrous for the country. In order to overcome these difficulties, the expectation is that the growth of primary exports – agriculture, mining and hydrocarbons in unconventional deposits – will help to pay the debt. These sectors generate few decent jobs and have severe environmental impacts. It does not seem to be a way out that will improve the lives of the Argentine people. Perhaps for this reason, Milei's government has become increasingly repressive. The IMF, knowing this, decides to go along. In law this is called complicity.

***tinyurl.com/ArgentinaIMF***

FINANCE news

# As Global North blocks progressive reforms at FfD4, World Bank's failed private sector approach gains traction

**Global North states actively undermine Global South architecture reforms proposed during process**

**The World Bank's "billions to trillions" approach continues to gain prominence despite evidence of failure since FfD3**

Despite evidence of the failures of the "billions to trillions" agenda, the Fourth UN Financing for Development conference (FfD4) ended with private finance as a key pillar. While the need for further reform of the Bretton Woods Institutions (BWIs, i.e. the World Bank and IMF) was noted in the final draft of the outcome document (see *Observer* Spring 2025), the BWIs have largely failed to support calls for international financial architecture (IFA) reform within the UN. Instead, they opted to highlight their autonomy as institutions and preserve interests of their dominant shareholders through the Global North-centric 'private finance first' approach. With ongoing high levels of debt distress and capital costs, combined with vanishing Overseas Development Assistance (ODA), borrowing countries undoubtedly will see the attraction of private finance.

Proposals that could create more equitable outcomes and decrease profit shifting, such as agreeing a UN Framework Convention on International Tax Cooperation, were not adequately supported by Global North countries and the BWIs beyond language on engaging in processes, despite support by groups including the G20 in recent years (negotiations will continue nonetheless). Instead, priorities outlined in the document align neatly with the World Bank's efforts to become a private finance mobiliser, as shared in a revealing March paper outlining its contribution to FfD4.

The Bank continues to preference market-led solutions, while the failed "billions to trillions" agenda – launched alongside FfD3 and since labelled by the Bank's Chief Economist, Indermit Gill, as "a fantasy" – remains unchallenged, regardless of civil society's efforts to highlight failures. The Bank has chosen to give extensive coverage to "private sector–led growth and enhanced job creation" in the FfD4 paper. It has not championed proposals to address a debt situation exacerbated by private creditors, including a UN Framework Convention on Sovereign Debt, despite Gill also noting, "Since 2022, foreign private creditors have extracted nearly $141 billion more in debt-service payments from public-sector borrowers in developing economies than they have disbursed in new financing." There are no references throughout the Bank's contribution to human rights, only human capital, consistent with recent critique of the Bank for focusing on profit-making rather than rights (see *Observer* Autumn 2023).

### Enabling environment for more dependency

Instead, the outcome document called for an "enabling environment" to "scale-up foreign direct investment and private capital mobilization," despite acknowledging that private finance investment "has not reached expectations, nor has it adequately prioritized sustainable development impact." Despite this, the FfD4 text positions public and private actors on equal footing and focuses heavily on economic growth as an end goal, rather than economic transformation. This echoes recent criticisms of the Bank's revamp of its Corporate Scorecard (see *Observer* Autumn 2024), which offers no measurement of economic transformation. The Bank also fails to acknowledge the recent UN Pact for the Future's focus on moving beyond Gross Domestic Product as the key measure of developmental success.

In line with the Bank's thematic focus on jobs and economic transformation, the FfD4 text called for "decent and productive jobs, to ensure that all people benefit from inclusive and sustainable economic growth." The Bank has recently been questioned by civil society on whether its jobs initiative will comply with internationally recognised Decent Work standards, avoiding a 'race to the bottom' on wages, workers' protections and rights, which the Bank's business enabling environment model has previously encouraged, exacerbating inequality (see *Observer* Spring 2024).

Following the completion of negotiations, the outcome document entered a silence procedure. The Civil Society FfD Mechanism expressed frustration about the lack of CSO input, noting "the current draft, if adopted as is, would represent a missed historic opportunity to realign the international financial architecture with principles of fairness, inclusivity, and accountability." The following week, on Tuesday 17 June, the final outcome text was published, to a heavily disappointed response (see here, here and here).

***tinyurl.com/FfDWorldBank***

Photo: IISD/ENB/Tallash Kantai

ECOSOC Forum on Financing for Development and the Fourth Session of the Preparatory Committee for the Fourth International Conference on Financing for Development, 30 April 2025.

INFRASTRUCTURE news

# World Bank energy strategy review considers reversing phaseout of support for gas production

World Bank President Ajay Banga launched a review of the Bank's energy financing at the Spring Meetings. Following discussions by its executive board in June, the Bank has lifted its ban on nuclear energy, per *Bloomberg* reporting (see *Observer* Winter 2024), and is now debating support for 'upstream' gas projects. In 2017, the World Bank announced it planned to phase out support for such projects (see *Observer* Spring 2018).

As *Bloomberg* reported, Banga justified the shift by arguing that meeting rising power demand in low- and middle-income countries is "one of the most urgent and complex development challenges we face." Among the Bank's efforts in this area is Mission 300, an initiative to deliver energy access to 300 million people in Sub-Saharan Africa by 2030 (see *Observer* Winter 2024). At a Mission 300 summit in Dar es Salaam in January, some heads of states of the 12 countries referenced gas as a 'transition fuel'. This has been challenged by African civil society, which have raised concerns over delayed decarbonisation and stranded asset risks. This is particularly the case for upstream gas, which has a decades-long lifespan (see *Observer* Summer 2025).

To achieve Mission 300 Development Policy Finance (DPF), the Bank's policy-based lending instrument (see Inside the Institutions, *What is World Bank Development Policy Financing?*), is being used to create an 'enabling environment' for foreign investment, often tied to unbundling, privatisation and liberalisation of energy sectors. Yet these policies have a weak track record of delivering affordable, reliable energy (see Report, *Gambling with the planet's future?*). A June Bretton Woods Project briefing also found that the Bank is now counting the majority of these reforms as climate finance, effectively greenwashing its privatisation agenda (see Briefing, *A just energy transition deferred*).

**tinyurl.com/EnergyReviewWBG**

INFRASTRUCTURE news

# World Bank's controversial support for Inga 3 dam signals return to big hydropower projects

Despite serious concerns from communities and civil society organisations (CSOs), the World Bank's executive board approved a $250 million loan to the Democratic Republic of Congo (DRC) on 3 June in support of the first phase of the long-delayed Inga 3 dam's construction.

The project, which was first proposed in 2014, has an estimated price tag of $10 billion, with the Bank potentially providing $1 billion in total financing. CSOs have highlighted the staggering social and environmental risks from the mega-project, which could displace 30,000 people, according to a 3 June civil society press release responding to the board's decision. It noted that the climate credentials also do not stand up to scrutiny as, "Mega-dams are increasingly vulnerable to climate change and are prone to failure under extreme weather conditions."

"The Bank is returning to top-down mega dams that threaten communities and ecosystems, while sidelining community-driven, decentralized renewable alternatives," said Josh Klemm of global CSO International Rivers.

While the Bank claims Inga 3 will improve energy access in the country, the CSO release points out that the public-private partnership being pursued for Inga 3 is likely to see communities' energy access bypassed in favour of more lucrative commercial uses and regional export markets (see Briefing, *A just energy transition deferred*).

"Inga 3 threatens to deepen the DRC's debt burden without delivering promised energy access to the millions of Congolese who need it," said Emmanuel Musuyu of DRC-based CSO *Coalition des Organisations de la Société Civile pour le Suivi des Réformes et de l'Action Publique* (CORAP).

**tinyurl.com/IngaDam**

## Inside the Institutions: *The World Bank shareholding review – reform or ritual?*

The Bretton Woods Project publishes a new *Inside the Institutions* exploring the World Bank's 2025 Shareholding Review, a governance mechanism intended to align voting power with member countries' economic weight.

The piece examines the persistent imbalance in voting structures across the Bank's institutions and the limited outcomes of past reviews. It also considers civil society's calls for structural reform, contrasting them with the Bank's narrow focus on technical adjustments.

**tinyurl.com/ShareholdersReview**

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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.