



Analysis

IFI Governance

## Banga's decision to join Board of Peace draws ire, amid concerns it will undermine the UN



- **Board of Peace charter fails to mention Palestinians and goes beyond UN Security Council-mandated scope**
- **Widespread concerns that Board may undermine UN's role and international law, with Bank's European member states by-and-large declining to join**
- **Civil society condemns Banga's involvement and Bank's role as trustee of Gaza Reconstruction and Development Fund**

In January, World Bank President Ajay Banga was announced as a member of the US-led Board of Peace's executive board – in a move that has [drawn condemnation](#) from civil society.

As a [February article in Devex](#) noted, the executive board guides the Board of Peace's operational work, with Banga serving "alongside U.S. Secretary of State Marco

Rubio, Jared Kushner, [US] Middle East envoy Steve Witkoff, and former British Prime Minister Tony Blair," among others.

The Board of Peace also includes a separate political board composed of heads of state, and an Executive Board of Gaza. A further National Committee for the Administration of the Gaza Strip, made up of 12 Palestinian "technocrats" – the lone part of the Board with any Palestinian representation – "is limited to managing day-to-day affairs...[and] currently has no real means of action," according to [the France-based Institute for International and Strategic Affairs](#).

Per [reporting from Politico in January](#), "[US President Donald] Trump, as the board's chairman, would be able to approve the participation of members, choose his own successor and veto decisions taken by a majority of members." *Politico* quoted France's foreign minister, Jean-Noël Barrot, who said, "This is very, very far from the Charter of the United Nations."

### In this issue

3   **Global governance and development: Toward equitable burden sharing and agenda-setting**

by Rafaela Venturella De Negri and Bruno Schreiner Alves

6  **Britain as a global financial superpower: The UK's 2027 G20 Presidency is a historic opportunity to fix the system** by Maria Finnert

7 **From donor to investor: The dangers of the development paradigm shift**

The World Bank will host the [Gaza Reconstruction and Development Fund, which Banga confirmed will manage financial contributions](#) to the Board of Peace at a meeting on 19 February, where the US announced a \$10 billion pledge. The [Bank manages dozens of trust funds](#), and typically charges significant administrative fees for hosting them (see *Observer* [Winter 2023](#)).

[A February letter signed by 16 civil society organisations](#), including US-based Accountability Counsel and Germany-based Urgewald, described the Board of Peace as "an illegitimate and neo-colonial project" that seeks to profit from an undemocratic reconstruction of Gaza, and condemned the Bank's involvement.

[The US's plans for Gaza reconstruction](#) closely mirror the [AI-generated vision shared by Trump](#) before the Gaza ceasefire: [a special economic zone to promote real estate development](#) – a so-called Gaza Riviera – where the voice of Gazans will be severely limited.

The prospects for Gaza reconstruction, more generally, are increasingly uncertain following the US and Israel's attack on Iran on 28 February, and subsequent retaliation by Iran against US allies across the Persian Gulf, [with the Financial Times reporting that Gulf countries were reconsidering their support for the Board of Peace](#) in light of the conflict.

### Undermining the UN?

The Board of Peace derives its mandate from [UN Security Council resolution 2803](#), passed in November 2025, which endorsed the "Comprehensive Plan of President Donald J. Trump to End the Conflict in Gaza." However, Trump, who is [named chairman for life](#) in the Board's charter, has repeatedly stated that the Board may seek to resolve other conflicts, going beyond the Security Council mandate.

In a [speech at the Munich Security Conference in February](#), Rubio argued, "we cannot ignore that today, on the most urgent matters, it [the UN] has no answers and has played no role."

This ignores the US's role in undermining the effectiveness of the UN: [the US has vetoed a total of 50 Security Council resolutions critical of Israel since the 1970s](#), including six calling for a ceasefire during the most recent conflict in Gaza. It [owes nearly \\$4 billion in unpaid UN dues](#), and announced in January that it would [cease engaging with a number](#)

[of UN entities](#).

In an [interview at the World Economic Forum with Indian media outlet NDTV](#) in January, Banga acknowledged the US's views, but maintained the Bank is playing an operational, not political, role focused on reconstruction – and batted aside concerns that the Board would undermine the UN. Incidentally, the Bank is currently finalising a refresh to its wider [Strategy for Fragility, Conflict and Violence](#) (see [Observer Autumn 2025](#)).

### Amidst geopolitical rupture, Bank's involvement raises more questions than answers

The Bank's support for the Board of Peace comes amid the outsized role the Gaza conflict – and the US and Israel's subsequent attack on Iran – has played in redrawing geopolitical alliances, transforming the context in which the institution operates (see [Observer Autumn 2024](#)).

A [growing rift between the US and Europe on the Board of Peace](#) – and other issues – has led longstanding US allies such as the UK, Germany and France to refrain from joining.

Furthermore, the Gaza conflict has had stark implications for relations between the West and the 'majority world', with a [UN Commission finding in September 2025](#) that Israel's activities in the Gaza Strip constituted

genocide. [New evidence published in The Lancet](#) in February found the conflict resulted in over 75,000 violent deaths (3.4 per cent of Gaza's pre-war population), with over half of these (56.2 per cent) being women, children and older people – much higher figures than previously estimated by the Gaza Ministry of Health.

[As argued by former Singapore Ambassador to the UN, Kishore Mahbubani, in Foreign Affairs in February](#), "the simultaneous fighting in Ukraine and Gaza in 2024 and 2025 undermined Europe's moral standing. Europeans have rightfully expressed horror over the killings of innocent civilians in Ukraine, but EU leaders remained mostly silent as Israel destroyed Gaza....And it's a key reason why the West is losing the rest."

In this context, whatever Banga's public reassurances, it's clear the Board of Peace is operating in a hyper-politicised context. "The entire structure depends on the World Bank lending its credibility. Without the Bank's imprimatur, investors would see this as a highly politicized reconstruction effort with no independent accountability," [an anonymous World Bank official told Devex](#) in February.

In the end, the Bank's involvement could well hasten the demise of the post-World War II international architecture of which it forms a part. □

News

Finance

## Challenging primacy of BWIs urgent as threats to UN and multilateralism deepen

On 18 September 2025, UN Secretary General Antonio Guterres presented a [report on the United Nations at 80 reform initiative](#). While the initiative is presented as an effort to meet the challenges of our time, the process and the report are skewed toward cost savings and efficiency gains (see [Observer Autumn 2025](#)).

On 15 October, [the Group of 77 and China reacted](#) to the report stressing that, "the... process must strengthen, not dilute, multilateralism." The stakes for the development needs of low- and middle-income countries was evident in the [United States's reaction](#), which ignored the UN's human rights and development pillars, focusing instead on the need for the UN to "get back to basics" and to "maintain

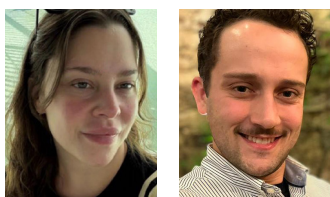
[sic] international peace and security while respecting the national sovereignty of Member States."

Given the disappointing results of the Fourth UN Financing for Development Conference in Seville in July 2025 (see [Observer Summer 2025](#), [Spring 2025](#)), particularly in addressing the governance shortcomings of the World Bank and IMF and their role within the wider international financial architecture, the question of "mandate duplication", and the broader role of the UN remain pivotal. The establishment of the [Board of Peace](#) by the United States, which is seen by some as a direct threat to the UN (see pages 1, 2), adds further pressure on efforts to safeguard the UN and multilateralism more broadly. □

### BWP scorecard gives World Bank's 2025 climate finance grade C- against climate justice principles

World Bank climate finance reached \$50.8 billion in fiscal year 2025, with the Bank positioning itself as a key player in delivering the global finance goal agreed at COP29.

However, while reported climate finance is increasing, concerns remain. [BWP's new analysis](#) finds that only 9 per cent is provided as grants; transparency is limited, with very little disclosure from the IFC and MIGA; and more than a quarter is also delivered through policy-based lending, raising concerns about country ownership and the inclusivity of reported climate finance.



## Global governance and development: Toward equitable burden sharing and agenda-setting

by Rafaela Venturella De Negri, World Social Forum on Health and Social Security, and Bruno Schreiner Alves, Universidade Federal do Rio Grande do Sul – PPGEEI, Brazil

- **Design of international financial architecture has limited UN's ability to influence financial policy of BWIs**
- **Global South remains trapped in a cycle of dependency through debt and power dynamics, as neoliberal economic policy persists**
- **Global South and allies must rise up to push reform through, despite setbacks at spaces such as FfD4**

The United Nations is in crisis (see *Observer Autumn 2025*). [As calls from multiple actors for Security Council reform grow louder](#) and fragmentation threatens multilateralism, a deeper structural problem remains unaddressed: the systematic erosion of the UN's authority over development financing, including, crucially, in norm-setting. [Last year's Fourth UN Conference on Financing for Development \(FfD4\) in Seville illustrated this vividly](#): developed countries blocked proposals for a UN Framework on Debt behind closed doors, ignoring calls from civil society and heterodox economists (see *Observer Summer 2025, Spring 2025*). Why does this keep happening? The answer lies in how global governance has been built to be deliberately unbalanced since 1945.

### The original sin

Post-World War II architects imagined [two complementary systems](#). The Bretton Woods Institutions BWIs; i.e., the World Bank and IMF) would handle the "hard" aspects of state-building: monetary policy, financing and reconstruction. The UN would manage the "soft" side: the social security system and parallel institutions.

The 1970s marked a turning point – substantive changes in the international political landscape, from independence struggles to oil shocks, led to transformations of the political-economic context. Challenges to state-led industrialisation projected the neoliberal model as the main road to development, preceding the rise of financial neoliberalism,

and [transferred power from production to finance](#) via market-based loans and credit. The World Bank and IMF began imposing Structural Adjustment Programmes (SAPs) requiring privatisation, austerity, deregulation and market opening in exchange for aid - despite how developed countries themselves [used protectionist measures during their own development](#) (see *Observer Springs 2025*).

Meanwhile, the UN was relegated to a ["damage control" role](#) – providing technical assistance and humanitarian initiatives. The low level of countries graduating from access to International Development Association financing (IDA; the World Bank's low-income country lending arm), persistent commodity dependence, and rising inequality (see *Observer Autumn 2024*), *inter alia*, demonstrate that this financing model has not – and cannot – produce economic growth in an equitable and just manner. It [cannot deal with poverty, is not capable of promoting redistribution](#), is not universal, and generates new problems due to its extractivist logic. Not even the UN's precautionary measures can divert the neoliberal character of the main political-economic governance organisations.

In contrast to the BWIs operating on a "one dollar, one vote" system – giving wealthy nations firm control – [the UN operates on "one country, one vote"](#), a principle that became threatening to Global North powers as newly independent [Global South countries gained voice](#). The result was a vicious circle: [powerful countries withheld resources from the UN](#), declared it ["incompetent"](#), and used this as justification to channel funding through institutions they controlled. What emerged was an institutional asymmetry where the UN manages humanitarian fallout while the BWIs dictate macroeconomic policy - and despite numerous resolutions affirming and re-affirming the integrity of rights, in practice, the UN has been hampered in its ability to counter the negative human rights implications arising from an unfair economic structure. Countries from the Global North have worked to strengthen the BWIs and incapacitate the UN.

### The financialisation of development: The debt trap and its consequences

Today's international financial architecture has produced unprecedented income concentration, debt crises, and qualitative poverty (total numbers of people living in impoverishment dropped, however, we still have extremely poor populations, living in inhumane conditions) - [204 new billionaires emerged in 2024 alone](#). [Debt is the cruellest mechanism](#), perpetuating neocolonialism through the World Bank, the IMF and the wider financial system, forcing developing countries to [prioritise external debt repayments over social investments](#). In Latin America, Brazil and Mexico adopted severe austerity during the 1980s debt crisis – including wage freezes, privatisations and social spending cuts. Ghana and Zambia saw health and education investments slashed during 1990s reforms. Still to this day, African countries tend to spend more on debt repayments than on social services, leaving [60 per cent of the continent's population living in countries that spend more on debt payments than on education and health](#).

### The path forward: 2026 is the battlefield

FfD4 in Seville could have been used to advance more equitable debt management mechanisms. Instead, [developed countries blocked these proposals in closed-door discussions](#). That said, it is important to note that the Framework Convention on International Tax Cooperation is still under discussion and that combined efforts by states from the Global South and global civil society managed to assure the creation of the [borrowers platform](#). This shift to an UN centred system could open space for long needed dialogues, such as on debt audit and cancellation.

As we face major neoliberal-fuelled imperialist movements - from Venezuela and Cuba to Gaza and US President Donald Trump's Board of Peace project (see page 1, 2) – we have the motives, we have the allies, and we have the tools: non-capitalist alternatives are everywhere. Let's hope we don't lack the will to act. [📌](#)

Analysis

Finance

## Venezuela, the IMF and Trump's 'Monroe doctrine 2.0'

- Majority of IMF shareholders must recognise Venezuelan government in order to release country's much needed SDRs
- Ongoing concerns among CSOs that these crucial funds will not reach people who need it most

The fate of Venezuela, a country with the world's largest proven oil reserves, is an illustration of the significant role that the IMF plays in geopolitics. While the institution has traditionally denied that it plays an explicitly political role – a claim that is [belied by academic and civil society research](#) (see Inside the Institutions, [What are the main criticisms of the World Bank and the IMF?](#)) – it can influence states' national politics, *inter alia*, through granting or withholding access to Special Drawing Rights (SDRs; see Inside the Institutions, [What are Special Drawing Rights \(SDRs\)?](#)). Its position is particularly significant in the context of [US President Donald Trump's 'Monroe doctrine 2.0'](#) which has so far led to a military operation against Venezuela and contributed to a deepening

[humanitarian crisis in neighbouring Cuba](#).

### Will the IMF's re-entry alleviate the economic suffering of the Venezuelan people?

For a country to access its SDRs, its government must first be 'recognised' by a majority of the IMF Board. Venezuela has been prevented from accessing [\\$4.6 billion of its SDRs](#) – the country's share of the Fund's \$650 billion allocation in 2021 – as countries with a majority voting share within the IMF refused to recognise the government of Nicolás Maduro. This raises questions of hypocrisy given that the institution has had ongoing relationships with states that violate international law, including the [apartheid regime in South Africa](#). [Calls for the IMF to release the SDRs](#) now hinge upon the IMF Board's potential recognition of the new Delcy Rodríguez administration.

The [US has indicated that it would be willing to convert Venezuela's SDRs into dollars](#) at the same time as the country's strategically important oil industry has been opened up to privatisation, [reversing reforms made under the late](#)

[President Hugo Chavez](#). While the IMF Board is debating recognition of the state authorities, its most recent analysis [stressed concerns with the country's external debt, which it estimated at 180 per cent of GDP](#) as of February 2026. This could set the ground for [neoliberal reforms](#) being touted as necessary by some analysts, or could be used to further oil and gas asset development, potentially under an IMF loan – meaning that [external creditors](#) will be paid while funds from oil sales flow into [US-controlled accounts](#).

Daniela Berdeja Ruiz of the Latin American Network for Economic and Social Justice (Latindadd) explains: "Decisions on the allocation and use of international financial resources should not be subject to political considerations that disadvantage countries with less voice and influence. Therefore, SDRs should be allocated to all IMF members directly and immediately, without any impediments or conditions, and their use should remain entirely sovereign, in accordance with national needs and priorities. The failure to uphold these principles, as is the case with Venezuela, highlights the urgency of real governance reform at the Fund." □

News

Accountability

## CAO investigates IFC's involvement in contentious cable car project in Nepal

Following [Indigenous People's resistance](#), the Compliance Advisory Ombudsman (CAO) – the accountability mechanism for the International Finance Corporation (IFC), the World Bank's private sector arm – [is investigating the IFC's role](#) in supporting the Pathivara [cable car project](#) in Mukkumlung, a sacred site in Nepal. The project's developer, IME Group, received advisory support from the IFC between 2022 and 2024, and investments of [over \\$50 million plus \\$500 million in trade finance guarantees](#) over the past decade.

In August 2025, Indigenous leaders [filed a complaint to the CAO](#), claiming the IFC failed to ensure that IME Group complied with IFC's Performance Standards, [since it did not perform a formal Environmental](#)

[Impact Assessment](#). While the IFC exited the project in 2024, it continues to invest in Global IME Bank, which is part of the IME Group.

"Indigenous Limbu people did not give their consent for this project on their land, and they are facing ongoing retaliation. We hope this can help both to stop further abuses and secure remedy for affected communities, and to ensure the IFC learns lessons to inform the review of Performance Standards," said Kate Geary, of international civil society organisation Recourse.

The case is currently under the CAO 90-day assessment period, after which the parties will decide whether to engage in mediation. If not, CAO will conduct a full compliance investigation. □

### Inside the Institutions: IMF's civil society engagement in practice

As IMF reviews its guidelines on engaging civil society organisations following sustained criticism, a new [Inside the Institutions](#) looks at how engagement has worked in practice and what needs to change. While the Fund recognises the importance of consultation, engagement often remains *ad hoc*, opaque and too late to meaningfully shape programme design. From Kenya to Ecuador, weak dialogue has contributed to public backlash and implementation challenges. As the review unfolds alongside other major IMF policy processes, ensuring structured, transparent and accountable engagement will be critical to strengthening engagement.

## Civil society calls for debt cancellation and end to IMF-mandated austerity as cyclone devastates Sri Lanka

- Cyclone Ditwah intensifies calls for large-scale debt cancellation as Sri Lanka struggles to respond to crisis
- Civil society and economists argue that IMF-mandated austerity limits Sri Lanka's ability to invest in development and climate resilience

The catastrophic impacts of Cyclone Ditwah across Sri Lanka in November 2025 have intensified calls for large-scale debt cancellation when disasters strike. In April 2022, the country defaulted on its external sovereign debt, after it [reached 128 per cent of GDP](#). Soon after, the government [turned to the IMF](#) for a 48-month extended arrangement under the Fund's Extended Fund Facility (see *Observer Summer 2025, Spring 2024*).

In December 2025, Sri Lankan civil society [called for a renegotiation of the IMF loan's conditions](#) in a statement signed by over 38 civil society organisations (CSOs), noting, "the IMF controlling government spending not only restricts the ability of the government to respond to the ongoing humanitarian crisis, but severely impedes investing in infrastructure, recuperating livelihoods and adapting to further climate change impacts." In parallel, [121 economists called](#) for immediate and "significant debt

cancellation – with no punitive conditions – to free up fiscal space for disaster recovery, social protection, reconstruction and development."

### IMF – the handmaiden of austerity

Sri Lanka's [current IMF programme aims to help](#) "restore debt sustainability" through the "restructuring of public debt" and the "implementation of primarily revenue-based fiscal consolidation." Because Sri Lanka [was classified as a middle-income country when it defaulted, it was ineligible for the G20 Common Framework](#) and has had to negotiate debt restructuring with creditors on an *ad-hoc* basis. According to UK-based CSO Debt Justice, the [restructuring is expected to reduce](#) the net present value of Sri Lanka's debt by around 17 per cent overall – 26 per cent for bondholders and bilateral creditors. Yet this still leaves the country with some of the highest repayment burdens globally, even among lower-income countries.

Based on the IMF's widely criticised Debt Sustainability Assessments (see *Observer Autumn 2023*), the [Fund projects that Sri Lanka needs to maintain a primary budget surplus of 2.3 per cent of GDP](#) from 2025 onwards. To achieve this, the country has been implementing far-reaching austerity reforms (see *Observer Summer 2025*), including [adjusting electricity tariffs to](#)

["cost-recovery" levels](#), even though tariffs had already risen by 75 per cent in August 2022 and a further 66 per cent in February 2023. [The IMF still cautioned in June 2024 that](#) "the path to debt sustainability remains knife-edged," with the country facing an estimated 50 per cent probability of a renewed default.

With Cyclone Ditwah being just one of the shocks facing the country and the escalating war in Iran adding further risks, Charith Gunawardena, co-founder of the Sri-Lankan-based Institute of Political Economy, argues, "Sri Lanka will be a key test of whether the international financial system can address urgent questions of sovereign debt relief and deliver even a modicum of justice in debt negotiations – crucial not only for Sri Lankans, but for restoring faith in a multilateral system already under fire for its lack of legitimacy." □



Central Bank of Sri Lanka Governor addresses the Global Sovereign Debt Roundtable during the IMF and World Bank Annual Meetings 2025.

## World Bank-backed power sector reforms deepen Ghana's energy debt

[Ghana spent \\$1.47 billion](#) to "rescue" its energy sector in 2025, mainly to settle debts with independent power producers (IPPs).

Ghana was among the first Sub-Saharan countries to liberalise its energy sector and introduce IPPs, with decades of World Bank support (see *Observer Summer 2025*). The model aimed to attract private investment, with the state utility buying power from private plants. Yet, securing investments required extensive public guarantees, including "take-or-pay" contracts obliging the government to pay even when electricity is unused (see Briefing, [Gambling with](#)

[planet's future?](#)). As electricity demand fell below earlier projections, these agreements [became a major fiscal burden](#), pushing annual revenue shortfalls [above \\$2 billion as of May 2025](#).

In 2015, the World Bank issued a \$500 million guarantee to prevent Ghana National Petroleum Corporation (GNPC) from defaulting on Sankofa gas contracts with private energy companies Eni, an Italian oil and gas major, and Vitrol, a Netherlands-based energy and commodities trading firm (see *Observer Spring 2020*). After payment delays from 2019, the guarantee was fully drawn by

early 2025, with Ghana repaying \$597 million to the Bank to restore the facility.

"The recent payment by the Ghanaian government should not be celebrated as financial prudence but rather highlights the dangerous precedent of failed public-private partnerships. This project further illustrates the failures of MDBs like the World Bank in financing fossil fuels, thereby entrapping African countries in the extractives debt trap without any recourse," noted Riska Koopman of the African Forum and Network on Debt and Development (AFRODAD). □



## Britain as a global financial superpower: The UK's 2027 G20 Presidency is a historic opportunity to fix the system

Guest analysis by Maria Finnerty, CAFOD

- **Developing countries lose billions annually through debt payments and tax avoidance facilitated by global financial rules**
- **The UK has unique structural influence over debt law, tax secrecy and international financial institutions**
- **By championing reform at the G20, the UK could unlock development finance while reinforcing its own financial credibility and long-term prosperity**

Britain is no longer a military superpower, but it remains a global financial superpower. The central roles of the City of London and British Overseas Territories in international finance give the [UK extraordinary structural influence over the systems that shape development](#). As the UK prepares to take over the G20 Presidency in 2027, it faces a historic opportunity: without committing a penny of taxpayers' money, it could break cycles of poverty and aid dependency locally and globally by building a fairer and more functional global financial system.

### Financial flows in reverse

The context for Britain's G20 Presidency, which will begin in December 2026, shows a profound systemic failure in the global financial system. Under existing rules, net financial flows are hugely inequitable: the world's poorest and most climate-vulnerable nations are haemorrhaging wealth to profitable creditors in the Global North through debt repayments.

The figures are stark. African nations spend on average [fifty times more](#) on external debt payments than they receive in UK aid, with [private lenders extracting \\$141 billion](#) more from lower-income countries in profits than they lent between 2022 and 2024. [Developing economies lose \\$46 billion each year](#) to corporate tax abuse, and for every US dollar received

in aid, [ten are lost through illicit financial outflows](#). The benefits of fixing financial systems would be utterly transformative for Global South and UK citizens alike.

### Britain as a financial superpower

The UK has arguably more power than any other country to build a better system. [Ninety per cent of low-income countries' debts](#) to private lenders – like banks, hedge funds and asset managers – are governed by English law. Under existing UK law, private lenders can simply refuse to participate in debt relief negotiations in favour of suing debt distressed countries in UK courts. A single piece of legislation could compel private lenders operating under English law to cooperate in debt negotiations. In 2010, Gordon Brown's government introduced similar legislation, and [reviews showed](#) it did not harm the City of London's competitiveness (see *Observer* [Winter 2025](#)). Today, such a law would cost the Treasury nothing, yet unlock billions for low-income countries to invest in essential services, climate resilience and development.

Tax is the second arena where the UK wields disproportionate power. [Britain and its Overseas Territories facilitate around a quarter of global tax evasion](#) – more than \$100 billion annually. Fully accessible public registers of beneficial ownership across the Overseas Territories would strike at the heart of offshore secrecy. British Overseas Territories also facilitate a huge proportion of illicit financial flows, which [starve the world's poorest economies of revenue and enable corruption](#). The government has stated its ambition to work with Global South countries to crack down on illicit financial flows and will host a summit later this year to address the issue.

The same sense of responsibility must extend to international financial institutions, where the UK is a major shareholder. The IMF and World Bank continue to operate with governance structures that privilege wealthy nations and constrain low-income

countries' policy space (see Inside the Institutions, [What are the main criticisms of the World Bank and the IMF?](#)). Debt sustainability assessments are opaque (see Inside the Institutions, [What is the World Bank & IMF debt sustainability framework for low-income countries?](#)); loan conditions prioritise [austerity over development](#); and bailout packages too often [channel public funds toward repaying private lenders](#) rather than strengthening long-term resilience. The UK can use its shareholder power to demand reforms: transparent modelling, holistic assessments that account for climate and human rights, an end to punitive IMF surcharges (see *Observer* [Autumn 2024](#)), and greater representation for low- and middle-income countries through quota and [Special Drawing Rights reforms](#) (see *Observer* [Summer 2024](#)).

### A defining choice

As the UK approaches its G20 Presidency in 2027, it faces a defining choice. It can continue to preside over a system that extracts wealth from the poorest nations, or it can lead a low-cost, high-impact agenda to build something fairer and more functional. The benefits of robust action would be felt at home as well as abroad – protecting ordinary British citizens from global economic volatility, creating new markets for UK businesses, and [protecting domestic consumers from climate-driven inflation](#).

By transforming the City of London and its overseas territories from havens for extraction into levers for stability, the UK can demonstrate that true superpower status in the modern age can be measured by the fairness of the systems we uphold, placing Britain at the centre of the stable, sustainable financing of the future. In doing so, it would help rebuild the social contract both at home and abroad – essential to reducing the political and social instability that flourishes when economies are perceived as rigged or unjust. □

## From donor to investor: The dangers of the development paradigm shift

- **Major donors try to detract attention from ODA cuts with new rhetoric**
- **World Bank and IMF continue to present private capital mobilisation as 'win-win' and only alternative**
- **Reduced ODA and greater reliance on private finance risks deepening existing barriers to positive development outcomes**

As the world faces geopolitical turmoil, development cooperation has been hit by substantial cuts. Eleven members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) [have announced Overseas Development Aid \(ODA\) cuts for 2025-27](#). A turn away from traditional bilateral finance, such as grants or concessional loans, continues to intensify. A June 2025 OECD report [projected a drop of between 9 and 17 per cent in ODA in 2025](#), following a 9 per cent drop in 2024, with deep uncertainty on the outlook going forward. Donors such as the UK are shifting the narrative, justifying ODA cuts by [repositioning engagement with recipient countries as "mutually beneficial"](#), where rich countries shift "from donor to investor", thus justifying a shift away from grants and concessional loans, which many consider essential non-debt producing sources of finance, to a renewed focus on new 'joint investments' and financing tools. According to Belgium-based civil society organisation (CSO) Eurodad, [rich countries are failing to uphold the "developmental and regulatory role for the state."](#)

The OECD report warned that cuts to multilateral commitments could trigger a "second wave" of extremely harmful impact on low-income countries (LICs) and the world's poorest, and stressed the importance of maintaining multilateral spending, including through the International Development Association (IDA), the World Bank's low-income country arm that provides grants and concessional loans to LICs. Moreover, [in a January report, Eurodad highlighted that ODA quality has also worsened](#), including in multilateral spending, and noted that OECD DAC members blocked structural reform at the 2025 Fourth Financing for Development Conference in Seville (see *Observer Summer 2025*). In the absence of aid, and under the

auspices of mobilising private finance, development cooperation is increasingly seen as an arena for private sector-led growth. Multilateral institutions like the World Bank Group (WBG) and the IMF are contributing to the deepening of this riskier model of development, doubling down on the strategic mobilisation of private capital to achieve economic growth, whilst [failing to produce the promised development impact](#) (see *Observer Autumn 2024*).

### For sale: Seats at the development table

Given the drop in ODA, accompanied by the increased rhetorical focus on 'joint investments' on national development, [questioning if and how private actors with profit-seeking interests can play a central role in achieving human development goals](#) is essential - especially considering the failures of the Bank's "billions to trillions" agenda (see *Observer Summer 2025*). Under President Ajay Banga, the World Bank continues to emphasise that development is a "strategic investment" in global growth and stability, with a focus on creating jobs and accelerating private sector investment. [In an April 2025 Financial Times op-ed, Banga wrote](#) that the key question to be asked of countries is, "What does the future look like here – and why should we invest in it?", without referring to human rights or the Sustainable Development Goals once. He declared, "Our ultimate goal is to help countries build dynamic private sectors that convert growth into local jobs."

However, Alex Campbell of the International Trade Union Confederation (ITUC) commented that the Bank's intense focus on job creation as a development outcome suffers from the private-sector bias at the heart of the new developmental shift, noting, "Jobs are defined so vaguely as to include nearly any investment that could plausibly support business, therefore private investment equals jobs...the Bank does not seem willing to change course. But the development impacts of its investments will suffer, and its shareholders – not to mention the communities it serves – will notice that the jobs promised on paper did not appear in reality." The Bank's use of job creation as a proxy for development highlights how this investment-driven model of development, away from ODA, prioritises capital flows over attributable positive social impact and economic transformation.

### Not a tonic for missing aid

Encouraging borrowing countries to shift reliance away from grants and concessional loans and towards reliance on private finance is particularly dangerous amid rising debt distress globally. Expanding reliance on private capital while countries are heavily constrained by fiscal consolidation further transfers risk and vulnerability to borrowing countries. In 2024, WBG Chief Economist Intermitt Gill [called the Bank's "billions to trillions" agenda a "fantasy"](#), amid net outflows of private finance from the Global South. In addition to the higher interest rates paid by low- and middle-income countries and currency depreciation, the growing share of debt owed to private creditors has increased the cost of servicing external debt. In many cases, debt repayments rival or exceed public spending on health or education, and [UK-based CSO Debt Justice found in 2025](#) that of a sample of countries receiving long-term IMF loans, all saw overall public spending per person cut by 10 per cent over the course of their IMF programme.

With countries like the UK reframing development as partnership, it must be questioned whether the private finance solutions being offered to bridge the gap truly prioritise the developmental needs, or if the collaborative effort is a one-way street facilitating deregulation, regressive tax structures and special economic zones that further stray from people-centred outcomes. Eurodad's report noted that counting private sector instruments like guarantees of private investors has "diluted ODA's core developmental purpose. Reported aid volumes risk being inflated through the inclusion of non-concessional and commercially oriented flows, without clear evidence that these resources align with the priorities of countries in the Global South or deliver meaningful development outcomes."

Donors may insist this is an opportunity to move on from the system of dependency exacerbated by aid and create a new set of financing solutions. But ODA is a moral obligation that remains essential to meeting human needs, a task that private finance has yet to prove itself capable of, let alone redressing decades of immense wealth extraction from the Global South. ■

## IEO's fiscal policy evaluation highlights serious flaws in IMF surveillance

The IMF's Independent Evaluation Office (IEO) released its evaluation of the [Fund's fiscal policy advice](#) in December 2025, in the context of several crucial ongoing IMF policy reviews. The evaluation will feed into the [Comprehensive Surveillance Review](#) (CSR), due to be completed this year (see *Observer* [Autumn 2025](#), [Summer 2025](#), [Spring 2025](#)).


The IEO's recommendations focused on "strengthening the articulation of trade-offs between long-term spending needs and fiscal sustainability, including their effects on long-term growth and distributional impact." This echoes civil society research findings on the [Fund's bilateral surveillance in the areas of climate](#) and inequality (see Briefing, [Brace for impact: Social and gender inequalities in IMF surveillance](#)). The report also identified that advanced economies are generally provided with a policy mix that "addresses the trade-off between fiscal sustainability and output stabilization," whereas for emerging markets and developing economies (EMDEs) and low-income countries (LICs) a policy mix including "alternate pathways" is often subordinated to fiscal consolidation (see *Observer* [Winter 2023](#)).

### Economic sustainability and distributional aspects

According to the evaluation, the Fund has not consistently applied the proposals from the latest [CSR in 2021](#), which highlighted the importance of economic sustainability, including establishing that gender, climate and social inequality are macrocritical. Instead, it found that staff did not consider how "adjustment strategies disproportionately burdening low-income households could backfire politically," despite the [Fund's own research](#) demonstrating that "failure to address the distributional consequences" would

have far reaching negative impacts. As Federico Sibaja of international civil society organisation (CSO) Recourse states, "While the IMF recognises that there's no macroeconomic stability without climate action, the institution's fiscal policy advice ignores this and continues to push for austerity. IMF policy advice must rely on climate and distributional impact assessments and ensure governments have enough fiscal space to support the economic transformation needed to achieve the Paris Agreement goals."

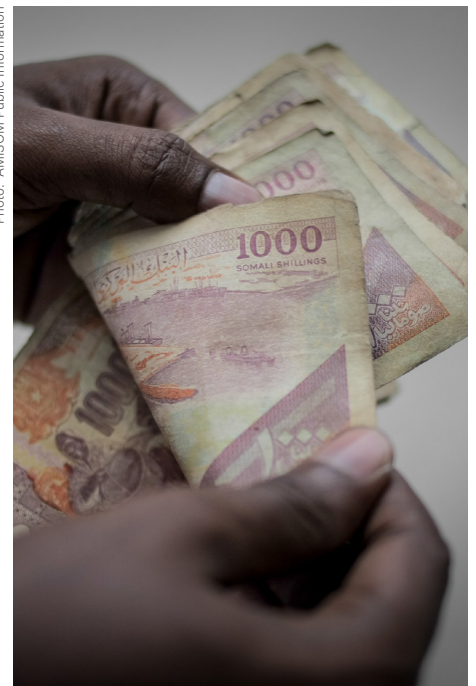
The report argues that despite the fact that "development CSOs and think tanks noted that the Fund's advice on social spending was not fully aligned with the SDGs [Sustainable Development Goals]," the "Fund has continued to emphasize targeted (means-tested) approaches, which, in practice, resulted in significant exclusions in social spending policies." This confirms the findings of Oxfam International's 2023 report on [IMF social spending floors](#) and new research that demonstrates the affordability of universal social protection. (see *Observer* [Spring 2026](#))

Civil society has long [called for distributional impact assessments](#) to address these issues. While the report acknowledges some progress has been made, it notes impact assessments "were underutilized and not systematically integrated into operations." Nabil Abdo of Oxfam International explains, "The IMF has struggled for so long to secure national ownership and social acceptability for the reforms it proposes to countries; however, the solution is in plain sight. It needs to conduct systematic distributional impact assessments of its policy recommendations and propose alternative policy mixes that would help to tackle rather than exacerbate inequalities." 

## BWP releases new report on the gendered impacts of fuel subsidies reform

[BWP's report](#) provides new evidence of the negative gendered impacts of fuel subsidy removal policies supported by the World Bank and IMF in three countries – Egypt, Kenya and Bangladesh. Drawing on new qualitative research including interviews with women from diverse social backgrounds, it demonstrates that women, girls and gender diverse people bear the brunt of fuel subsidy removal. Its findings call into question the Bank and Fund's widespread support for consumer fuel subsidy removal and critically examine their arguments that fuel subsidies are regressive, and that their removal can enhance social spending and contribute to countries' national climate goals.

Photo: AMISOM Public Information



A man counts Somali shilling notes having just exchanged US Dollars with a money changer on the streets of the Somali capital Mogadishu.

