# The Bretton Woods Institutions in Asia:

## Exploitation, path dependencies and persistent contradictions

**OCTOBER 2026**

Access and download this report online

Bretton Woods PROJECT

# Table of Contents

**Foreword & acknowledgments** 2

**Introduction: The road to Bangkok is paved with imperialist intentions – what could be a different path?** 3
By Rodolfo Lahoy, Jennifer del Rosario-Malonzo and Iggy Sandrino, IBON International

**BWIs' response to the Asian Financial Crisis in Southeast Asia and its legacy** 8
By C. P. Chandrasekhar, International Development Associates (IDEAs)

**MDBs' role in fuelling the war, energy and climate crises** 12
By Nazareth Del Pilar, NGO Forum on ADB

**Southeast Asia's lost steam: 'Middle-income-trap' or 'neoliberal trap'?** 16
By Satyaki Roy, Institute for Studies in Industrial Development (ISID)

**Neoliberalism, mining and corporate capture in Odisha** 20
By Sharanya Nayak, RITES Forum member of the Asia Pacific Forum on Women, Law and Development

**Increasing influence, diminishing accountability: The World Bank in India** 25
By Joe Athialy and Asmi Sharma, Centre for Financial Accountability

**About the authors** 30

## Foreword & acknowledgments

The 2026 World Bank and IMF Annual Meetings are taking place in Bangkok, Thailand, from 12-18 October. It will be the eight time they are held in Asia since the early-1990s, reflecting the long-standing history and legacy of both in the region. People across Asia have suffered from the impact of BWIs' policies and prescriptions for decades. The BWIs played a pivotal role in creating the conditions that led to the 1997 Asian Financial Crisis and the counter-productive responses to it that have had long-lasting and profound impacts on the economy, society and the environment.

In this Special Issue, partners from IBON International, International Development Associates (IDEAs), Institute for Studies in Industrial Development (ISID), NGO Forum on ADB, RITES Forum member of the Asia Pacific Forum on Women, Law and Development, and the Centre for Financial Accountability analyse the legacy of the BWIs on pivotal issues for the Asian region, including industrial policy, accountability, the legacy of the Asian Financial crisis, the future of energy and gender equality.

BWP expresses its gratitude to the authors for their time and commitment to this publication and for their important contribution to the wider work of BWP and partners involved in the struggle for a more just, democratic and environmentally sustainable future.

Publisher: Bretton Woods Project

October 2026

Copyright notice: This text may be freely used under Creative Commons BY 4.0 license.

© Mench Tilendo, Bulatlat

Filipino protesters protest in front of the finance department building in Manila on 9 October 2023 against the World Bank and International Monetary Fund's Annual Meetings being held in Morocco

# Introduction: The road to Bangkok is paved with imperialist intentions – what could be a different path?

By Rodolfo Lahoy, Jennifer del Rosario-Malonzo and Iggy Sandrino, IBON International

The 2026 IMF and World Bank Annual Meetings in Bangkok, Thailand, will happen at a crossroads. The Fund and Bank are increasingly embroiled in the geopolitical and economic stakes of their leading shareholder, the US, and its allies on most related issues, European countries. Presently, US foreign policy is marked by a turn to an aggressive posture against rising world powers and states' sovereignty aspirations. Their role remains key as the US and Europe reemphasise their strategy to gain new markets, sources of low-cost labour and natural wealth, as well as influence in the Global South.

This article analyses how the impacts of economic, social and ecological crises brought about by decades of integration into monopoly capitalism have harmed prospects for genuine development, or economic transformation. In fact, they have caused the opposite: drastic inequalities in the Global South and North and structural dependency.

## The first Bangkok Annual Meetings: The question of economic models

The 2026 Meetings mark the eighth time the Annual Meetings will be held in an Asian country since the early-1990s.[1] Thailand is hosting for the second time, with Thai officials treating the 2026 Annual Meetings as an investment opportunity, calling it the "Olympics of finance".

The first Bangkok Annual Meetings in 1991 showed that global economic governance discussions have always been political – a contest over which economic models would be privileged.[2] Looking at the 1991 Meetings is instructive: the stakes were about the uncontested spread of the market economy model at end of the Cold War, with the US representative stressing that the BWIs would have to be "held accountable" for "success or failure of efforts to integrate former command and state-dominated economies into the global market system."[3]

At the height of the Cold War, the Bretton Woods Institutions (BWIs; i.e., IMF and World Bank) weakened rival transformation-focused economic models, as they repelled the US and Europe's opponents: socialist influence and liberation movements. These movements asserted people's sovereignty over their own development against the imperialist model of extracting surplus profits from low-waged labour and natural resources. While many movements demanded agrarian reform and industrialisation, the Bank-backed Green Revolution demolished domestic agriculture and degraded the soil and water quality, especially in Asia.[4] In 1983, the Bank criticised land reform as "highly damaging since it increases insecurity" among landlords.[5] Instead, the Bank propagated "market-assisted" land reform[6] that consolidated land monopolies of both landlords and corporations.[7] Structural adjustment, devised and implemented jointly by the BWIs, barred independent industrialisation as it discouraged infant industry protections and pushed for equal treatment for foreign investors.[8]

In weakening alternatives to imperialism, the BWIs left legacies of economic and political violence. The Bank

1 Outside the headquarters in Washington, DC, the cities where in-person Annual Meetings were held since the 1990s include: Bangkok (1991), Madrid (1994), Hong Kong (1997), Prague (2000), Dubai (2003), Singapore (a city-state, 2006), Istanbul (2009), Tokyo (2012), Lima (2015), Bali (2018), Marrakech (2023), and Bangkok (2026).

2 The World Bank Group, *1991 Annual Meetings of the Board of Governors: Summary Proceedings*, 1991.

3 *Ibid*., p.183.

4 R. Mumbai, M. Ali and D. Byerlee, "Productivity Growth and Sustainability in Post–Green Revolution Agriculture: The Case of the Indian and Pakistan Punjabs", *The World Bank Research Observer*, 16 (2001), 199-218 (p. 205).

5 The World Bank, *World Development Report 1982*, 1982, p. 85.

6 J. Pereira, "The World Bank and market-assisted land reform in Colombia, Brazil, and Guatemala", *Land Use Policy*, 100 (2021), accessed 10 August 2026.

7 IBON International, *Towards a Peoples' History of the IMF-World Bank: Critical articles amid 80 years of neocolonial plunder*, p. 29.

8 R. Wood, "The Aid Regime and International Debt: Crisis and Structural Adjustment", *Development and Change*, 16 (1985), 179-212 (p. 203).

expanded operations to the "Third World" during the Presidency of Robert McNamara – the architect of the Vietnam War before taking on his World Bank role – with four of the seven highest loan recipients in the late 1970s being Asian military dictatorships allied to the capitalist world: Indonesia, South Korea, Turkey and the Philippines. With the US and Europe's victory in the Cold War, countries have only been allowed to organise the economy around the market power of multinational corporations and finance capital, mostly resident in the Global North. The "Washington Consensus" implemented and enforced by the World Bank and IMF sealed monopoly capital's hegemony.

During the 1990s, the IMF-approved policy thrust of financial deregulation, such as the removal of capital controls, became a crucial condition behind the Asian Financial Crisis.[9] The consequences of the IMF and World Bank's policies would be exposed by the Great Financial Crisis of 2008,[10] and they would be silent about neoliberalism's role in generating Covid-19 pandemic-era crises.[11]

## The 2026 Bangkok Meetings: Persisting legacies, persistent struggle

Structural transformation is necessary for people-centred development, which advances domestic needs, people's rights and social justice. The BWIs-led structural adjustment programmes from the 1980s promised poverty alleviation.[12] In reality, they locked the Global South into a skewed global trading and financial system.

In 2026, the proven results of this model are extreme inequality amid parasitic wealth concentration.[13] Southeast Asia and the Pacific lost $11 trillion from net outflows from the 1960s to 2017, especially from Vietnam, Indonesia, Malaysia and Thailand.[14] The dynamic continues: 80 per cent of the trillions in corporations' repatriated profits from 2005 to 2020 went to five countries: the US, the Netherlands, the UK, Germany and France.[15] In the words of the Bank's president Ajay Banga in 2024, "at the end of the day, if by doing the right development overseas, we can help to drive markets for American companies, that's great."[16]

Today, 80 per cent of 143 developing economies remain dependent on exporting agricultural, mineral and energy goods. All five countries in Central Asia, all former Soviet countries, fall under this category.[17] The same applies to 46 of 54 African countries, a region with a European colonial history, and in 11 of the 12 South American countries, a region crucial to US objectives for centuries.[18]

Against official BWI narratives, the Thai People's Movement (TPM) against the IMF and World Bank has stressed that deep inequalities remain, and the 2026 Annuals' resilience theme neglects fundamental problems. The BWIs have a controversial history in the country, from the Bank's destructive Pak Mun dam[19] to the IMF's neoliberal reforms in Thailand before and after the Asian Financial Crisis. "In the past decades", a TPM release said, "the world has moved forward, but why have our lives moved backward? We work harder but get poorer."[20] Launched in June, the TPM is composed of farmers, fisherfolk, platform and creative industry workers, migrant workers, Indigenous youth, and legal professionals – united in a call to "junk the IMF-World Bank."[21] The TPM is

9 W. Bello, "The Asian Financial Crisis: Causes, dynamics, prospects", *Journal of the Asia Pacific Political Economy*, 4 (1999), 33-55.

10 Bretton Woods Project, *Greece: IMF fails to learn own 'lesson on the economic impact of austerity'*, 25 September 2015.

11 UN Trade and Development, *UNCTAD warns of policy-induced global recession*, accessed 8 July 2026.

12 The World Bank Operations Evaluation Department, *World Bank Structural and Sectoral Adjustment Operations: The Second OED Overview*, 1992, p. 1.

13 World Inequality Lab, *World Inequality Report 2026*, 2026.

14 J. Hickel, D. Sullivan and H. Zoomkawala, "Plunder in the Post-Colonial Era: Quantifying Drain from the Global South Through Unequal Exchange, 1960–2018", *New Political Economy*, 26 (2021), 1030-1047.

15 C. Parnreiter, L. Steinweder and K. Kolhoff, "Uneven Development through Profit Repatriation: How Capitalism's Class and Geographical Antagonisms Intertwine", *Antipode*, 56 (2024), 2343-2367.

16 A. Shalal and D. Lawder, "Banga says Trump understands value of international financial institutions", *Reuters*, 16 October 2024.

17 United Nations Conference on Trade and Development, *The State of Commodity Dependence 2025*, 2025, p. 148.

18 *Ibid.*, p. 134.

19 Southeast Asia Rivers Network, *Pak Mun Dam Controversy Fuelled*, accessed 9 September 2026

20 Thai People's Movement against IMF-World Bank, *Organisations in Bangkok launch Thai Peoples Movement Against IMF-WB*, accessed 10 July 2026.

21 *Ibid.*

part of the People's Global Campaign against the IMF-WB, launched also in June by movements especially from Asia as a united front against the BWIs.

## "America First", people last: A more brazen imperialism opens up Asia's veins

Thirty-five years since the first Bangkok Meetings, different stakes are at play. The US now faces a strategic decline and rivalry with China but also Russia, with the rising powers asserting "a multipolar world and a new type of international relations."[22] US strategy is shifting: it shelved USAID,[23] the US overseas development agency, and left certain UN bodies, but kept its dominant role in the BWIs. It is leading unilateral measures and economic re-shoring to break from supply dependence on China, and address increasing domestic pressures. The US launched Pax Silica to position allied countries for mineral extraction and US-controlled supply chains.[24]

The BWIs now operate in this context of rising US militarism, attempts to maintain hegemony, and extract minerals and labour power for the monopoly capitalist system. Meanwhile, the US retains hold in international financial institutions "to implement reforms that ensure they serve American interests."[25] A G7 official said in April 2026 that the BWIs "can't make a squeak"[26] that can be construed as unsupportive of US efforts.[27]

As to militarism, the Bank supported the US-led "Board of Peace" (BoP),[28] earned an executive board role,[29] and established a Gaza Reconstruction and Development Fund.[30] [31] Civil society and UN Special Rapporteurs condemned the BoP's business-driven "reconstruction" of Gaza, as it deepens the Israeli occupation and violations of Palestinian right to self-determination.[32] The IMF has played a similar role: the Fund has maintained a "suspicious silence"[33] when Iran faced unprovoked US offensive actions, and the world an oil shock, in contrast to its uproar and provision of billions to the Ukraine government,[34] a NATO ally.[35]

Current brazen imperialism requires rare earths and "defense-critical raw materials" for military build-up,[36] and energy and technological dominance. Imperialism depends on the Global South and Indigenous territories as extraction sites, threatening more one-sided export relations and ecological devastation. Today, 23 of 46 Asian countries are already commodity-dependent.[37] The Bank along with other multilateral development banks (MDBs) has supported this quest: an April 2026 statement on critical minerals and value chains called for policies to "enabl[e] responsible" investors, economic corridors and "bankable, high-standard investment."[38] The Bank also returned to its strong support for mega-dams,[39] also criticised by Indigenous Peoples and campaigners.

Resource plunder and ending the US reliance on China, and Europe's prior energy dependence on Russia, drive

22 S. Shamim, "'Multipolar world': What Xi and Putin announced after Beijing summit", *Al Jazeera*, 20 May 2026.

23 T. Tezuka, N. Ito and K. Takahashi, "The impact of U.S. foreign aid reduction on global health", *Tropical Medicine and Health*, 54 (2026), accessed 12 July 2026.

24 J. Pascual, "Anti-Pax Silica group launched", *ABS CBN News*, 31 August 2026.

25 The White House, *National Security Strategy of the United States of America*, 2025, p. 22.

26 Z. Colman and S. Schonhardt, "'Can't make a squeak': Trump's fossil fuel push puts IMF, World Bank on defensive", *Politico*, 13 April 2026.

27 Bretton Woods Dispatch, *Spring Meetings 2026 Wrap-up: America First exacerbates global instability as war on Iran leads to latest economic shock*, Springs 2026.

28 M. Nichols, "World Bank, in letter to US, backs draft UN resolution on Gaza", *Reuters*, 9 November 2025.

29 The BoP now seems to be in limbo amid a lack of funding commitments – a blow to the Bank's legitimacy as it backed an imperialist but debilitated institution. For the Bank's President's role, see: Board of Peace, *Executive Board Member: Ajay Banga*, 2026, accessed 12 July 2026.

30 The World Bank Group, *Financial Intermediary Fund for Gaza Reconstruction and Development*, 2026, accessed 10 July 2026.

31 Bretton Woods Observer, *Banga's decision to join Board of Peace raises questions about World Bank's commitment to multilateralism*, Spring 2026.

32 UN Office of the High Commissioner on Human Rights, *UN experts condemn 'Board of Peace', call for a reparative, rights-based approach to reconstruction in Gaza*, 2026, accessed 8 July 2026.

33 Bretton Woods Dispatch, *Spring Meetings 2026 Preamble: 'Rupture in world order' further challenges IMF and World Bank's legitimacy*, Springs 2026.

34 The Guardian, "Ukraine war briefing: IMF approves $8.1bn loan for Kyiv", 27 February 2026.

35 The IMF's positioning in Venezuela is another indicative example: as the IMF became open to channel loans only after Nicolas Maduro's January 2026 abduction. See: Bretton Woods Observer, *Venezuela, the IMF and Trump's 'Monroe doctrine 2.0'*, Spring 2026.

36 North Atlantic Treaty Organization, *NATO releases list of 12 defence-critical raw materials*, 2024, accessed 8 July 2026.

37 In official UN definitions, a country is commodity dependent when agriculture, mining and energy goods make up at least 60 per cent of their exports. See: UNCTAD, *The State of Commodity Dependence 2025*.

38 The World Bank Group, *Joint MDB Statement on Critical Minerals to Manufacturing Value Chains*, 2026, accessed 8 July 2026.

39 J. Leslie, "In a Major Reversal, the World Bank Is Backing Mega Dams", *Yale Environment* 360, 19 December 2024.

© People's Global Conference against IMF-WB

Bali, Indonesia, Annual Meetings 2018.

these Northern states to advance their own industrial policies.[40] In an about-face from decades-old opposition, the Bank now claims to support industrial policy.[41] Despite a seeming reversal, the Bank still advances its old push for special economic zones and industrial parks with all their consequences – from a record stained with labour rights violations and undermining state sovereignty.[42] The new wave of Northern industrial policy ultimately constrains the Global South's use of the same tools to transform their economies.

Finally, with volatile post-pandemic economic recovery, the monopoly capitalist system requires unrestrained access to low-waged labour, including migrant labour forced out of countries by dire socio-economic conditions. This shapes the focus on jobs, again a centrepiece of the 2026 Bangkok Annuals. The BWIs' jobs strategy legitimises the private capital-centred approach,[43] with the state supporting capital,[44] and instrumentalises jobs for this decades-old rhetoric.[45]

40 IBON International, *The Global Trade Architecture and the Rush for Critical Minerals*, 2025.

41 A. Fernandes and T. Reed, *Industrial Policy for Development: Approaches in the 21st Century*, The World Bank Group, 2026.

42 J. Hiba, M. Jentsch and K. Zink, "Globalization and working conditions in international supply chains", *Zeitschrift für Arbeitswissenschaft*, 75 (2021).

43 International Trade Union Confederation, *Global Unions: Worker-centred reforms necessary for IMF and World Bank to meet current crisis*, 2026, accessed 8 July 2026.

44 The state is ascribed a role of being an enabler through policies, infrastructure and promoting "human capital". See: *The World Bank Group, Creating Jobs for a Better Future*, 2025, accessed 10 July 2026.

45 Bretton Woods Observer, *From billions to nowhere: Ajay Banga's development mirage*, Summer 2025; Bretton Woods Observer, Banking on human capital: Beware unspecified returns, Autumn 2018.

Workers face risks as over 60 per cent of urban working people in Asia are informal workers,[46] with migrant women overrepresented.[47] By 2024, women earned 19.5 per cent less than men for the same toil in low-income countries.[48]

It is not about opposing all private sector investment, which ranges from small and medium enterprises, social entrepreneurs, to corporations. The crux of the matter in the talk of jobs, minerals, industrial policy and the BWIs is the need for an economic model that allows countries to break from imperialism.

## Charting a new path

A sovereign and sustainable industrialisation and the use of industrial policy are emerging as key areas for economic, ecological and climate justice.[49] Such efforts would benefit from a focus on economic transformation of the real economy and finance. They must break out of commodity dependence and unrestrained market forces that plunder minerals, agricultural and energy goods, towards genuinely sustainable resource and energy use.

Such an agenda requires breaking from the IMF and World Bank, and their development model. World powers now openly deploy subsidies, trade restrictions and strategic planning to secure economic dominance. It is a trend that reveals an opening and a weak link in the chain: it undermines the neoliberal prohibition against industrial intervention in the Global South.

While there is no one-size-fits-all, the sovereign industrialisation processes require rebuilding a developmental state, forging broad social coalitions, disciplining both domestic and foreign capital, and aligning industrial policy with social justice and ecological sustainability. The relationship between public and private actors will have to shift to organise economies for people's rights and ecological priorities instead of profit. A managed integration into regional production networks for domestic priorities can be an antidote to unrestrained and forced imperialist economic integration.

Domestic production capacities will have to be rebuilt for domestic needs first – with the domestic private sector having a potentially supportive role. Development planning is key as markets alone are unable to address industrialisation's sequencing, scale and strategic prioritisation. In planning, the state needs to be long-termist and democratic; it should discipline but also incentivise local capital to the extent it supports public goals. The legitimacy of such a state can come from democratic ownership, with social coalitions for industrialisation led by organisations of workers, farmers, women and classes gaining from structural change.

Industrial strategy may need to work with available resources while expanding fiscal and financial capacity. Fiscal space still requires enabling global conditions for progressive tax rules, debt cancellations, capital controls, as well as expanded development banking and financial regulation. International solidarity remains key for policy autonomy, from coordinated resistance to restrictive global rules, technology sharing initiatives, regional production planning and new financial arrangements.

It may be time for countries to review and evaluate their membership in the IMF and World Bank and the net effects of BWI policy regimes on sovereign development. In the end, sovereign transformation is essential to create the material and social basis to break from unequal economic relations and the imperialist system. The agenda is massive, but the risk of inaction is continued plunder in a hierarchical global economy driven by imperialist rivalry.

46 UN Economic and Social Commission for Asia and the Pacific, The Asian Development Bank, United Nations Development Programme, *Inclusive Urban Futures: From Inequality to Opportunity*, 2026.

47 UN Women Asia Pacific, *Everything you need to know about pushing for pay equity*, 2024, accessed 12 July 2026.

48 International Labour Organization, *Global Wage Report 2024–25: Is wage inequality decreasing globally?*, 2024.

49 See: IBON International, *Re-envisioning a sustainable, people's industrialisation*, 2025; and IBON International, *National industrialisation for development in the Global South: Reclaiming economic sovereignty amid global transformation*, forthcoming 2026.

# BWIs' response to the Asian Financial Crisis in Southeast Asia and its legacy

By C. P. Chandrasekhar, International Development Associates (IDEAs)

The IMF and World Bank Annual Meetings in Bangkok, Thailand, nearly 30 years after the Asian Financial Crisis, should prompt close examination of the legacy of the Bank and Fund in the region and beyond. The institutions' push for neoliberal policies, especially financial liberalisation, contributed significantly to the crisis by undermining active state interventions that had led to the 'Asian Miracle' and exposing the region to speculative financial inflows and instability. Their subjection to procyclical austerity measures imposed by the IMF following the crisis and enforced reliance on liberalised financial markets as the misplaced means to recovery have had long-lasting consequences. These policies have only resulted in a prolonged period of muted growth in economies that were among the most dynamic in the pre-crisis era.

This article argues the Annual Meetings in Bangkok provide an opportunity for a change of approach so that the Bank and Fund avoid losing what is left of their legitimacy.

The IMF and World Bank Annual Meetings in Bangkok in October are taking place the year before the 30th anniversary of the financial crisis that engulfed Southeast Asia in 1997, which was to a significant extent the result of policies strongly supported by the World Bank and IMF.[1] Several Asian countries were considered 'miracle growth' examples among less developed countries with ostensibly 'stable' macroeconomic environments, experienced currency, balance of payments and full-fledged economic crises in quick order, beginning with Thailand. Their success and transition from low-to-middle or high-income countries was the result of active state intervention in investment decision making with a combination of regulatory policies – such as protection – and supportive policies – such as the provision of directed credit at lower differential interest rates. That went contrary to the views of the Bretton Woods Institutions (BWIs; the World Bank and IMF), which favoured privileging market signals and a state facilitating and incentivising private capital.

Sharp and sudden currency depreciations were the obvious symptoms of the crisis. But those fluctuations came as a surprise because conventional indicators such as budget and current account deficits did not point to any longer-term or chronic macroeconomic imbalances in the countries affected. Besides, the crisis was not preceded by a spike in debt-financed public spending that spilt over in the form of rising current account deficits. The imbalance was rather driven principally by a rapid expansion of domestic credit for both private investment and consumption, financed in large measure with cheap foreign-currency credit from abroad.[2] That environment was fraught with financial and external vulnerability, and the weakest link in terms of exposure of the private sector to foreign debt was Thailand.[3]

The immediate trigger for the crisis was a slowdown in export growth following currency appreciation driven by foreign capital inflows, rising domestic costs and a cyclical dampening of demand for electronics exports.[4] Compared with annual export growth rates exceeding 20 per cent in the early 1990s, Thailand experienced a contraction in its dollar denominated exports of 1 per cent in 1996. Thailand's balance of payments position triggered an attack on its currency, leading to a collapse. Fears that other Southeast Asian countries characterised by similar

1 See for example Chapter II in R. J. Corker and W. S Tseng, *Financial Liberalization, Money Demand, and Monetary Policy in Asian Countries*, International Monetary Fund, 2019.

2 In the early 1990s, most East Asian countries liberalised their capital accounts. Facilitated by that, the share in long-term net capital flows, mainly FDI, in total net private capital flows declined from 11 per cent in 1994 to around 7 per cent in 1995 and 1996, while short-term loans rose to around 70 per cent in the five Asian economies most severely affected by the crisis. In the event, by 1996 short-term external debt accounted for 20 per cent of GDP in Thailand, 14 per cent of GDP in Indonesia and South Korea, and 11 per cent in Malaysia. See International Monetary Fund, *World Economic Outlook 1997-98*, 1998.

3 The first and earliest default on debt payments was by a Thai company as early as February 1996.

4 G. Reuven, *Thoughts on the Origins of the Asian Crisis: Impulses and Propagation Mechanisms*, Washington DC: IMF, 2001.

trends would experience a similar fate triggered capital outflows that spread the crisis to those economies.

The lesson from the crisis was that in a world awash with cheap liquidity, financial liberalisation that allows domestic corporates and, more importantly, financial firms, to access cheap capital from abroad can fuel speculation in financial and real estate markets. In such a speculative environment, forms of the carry trade, which involved borrowing cheap in foreign exchange to finance local currency investments that promised higher returns, ignored currency risks and the danger of rapid foreign capital exit. When the currencies collapsed, firms and institutions with accumulated foreign exchange liabilities were unable to take the strain of substantially enhanced domestic currency expenditures, leading to debt stress. The effort to retrench assets to cover liabilities resulted in asset price deflation and bankruptcies, shrinking domestic demand. Debt defaults multiplied. Balance of payments weakness triggered a currency crisis, which precipitated a more generalised financial and real economy crisis.[5]

The ability to withstand the crisis, by intervening in currency markets and combating speculation, was substantially different in the region. Thailand was the first to succumb and had to turn to the IMF to appease foreign financial investors. As the contagion spread to other economies, Indonesia caved in. The South Korean government struggled to stabilise the won without IMF assistance but failed.[6] Malaysia chose to keep out the IMF and eventually achieved at least a basic stability of its currency and retained a modicum of autonomy in policymaking.

## Austerity not the solution

In that environment, the need was not for procyclical austerity policies that cut public spending to generate large primary surpluses and raised interest rates that tightened monetary conditions. That only worsened the recession and deflation.[7] The need was liquidity support that helped countries with foreign exchange shortages and restored investor confidence to stall capital flight, along with medium-term policies that reflated the economy and controlled speculative financial capital inflows to mitigate external vulnerability.

Japan and other countries in the region were pushing for alternatives responses, recognising that IMF-style austerity policies would not work. But given US dominance, the IMF emerged as the principal international player, even though it was not the main source of emergency liquidity. It put together rescue packages worth roughly $17 billion for Thailand, around $40 billion for Indonesia, and about $57 billion for South Korea, with the funds coming substantially from Japan, the Asian Development Bank and the World Bank. The IMF reportedly contributed $3.9 billion, $10 billion and $21 billion respectively to the Thai, Indonesian and South Korean packages.

The Fund's dominance was paradoxical since, as noted above, during the 1990s the IMF was one of the forces advocating for the financial liberalisation that contributed to the crisis. Not only did the Bretton Woods twins not acknowledge this when the crisis broke, but the 1997 Fund-Bank Annual Meetings in Hong Kong soon after the crisis forced finance ministers and central bank governors present to declare that global financial opening and integration under strong IMF surveillance were the routes to recovery.

The IMF strategy involved public expenditure reduction and high real interest rates, which worsened the position of both companies and banks, and exacerbated the problems of a highly indebted economy. The resulting damaging squeeze on domestic economic activity undermined investor confidence in the possibility of rapid recovery and future growth. And the IMF's insistence on further liberalisation of rules governing financial flows added to financial vulnerability.

The initial adjustment to the crisis varied significantly across countries, with an acceleration of liberalisation in some (South Korea and Thailand) and greater intervention in others (Malaysia). Thailand, Indonesia and South Korea experienced exceptionally sharp reductions in economic activity, and the subsequent recovery was essentially facilitated by a combination of devaluation-induced export increases and some fiscal expansion, including via

5 For details on these developments see J. Ghosh and C. P. Chandrasekhar, *Crisis as Conquest: Learning from East Asia*, Hyderabad: Orient Blackswan, 2017.

6 J. Mo and C. Moon, "What Happened?", *Hoover Digest*, 30 October 1998.

7 C. P. Chandrasekhar and J. Ghosh, "The Asian Financial Crisis, Financial Restructuring and the Problem of Contagion" in M. H. Wolfson and G. A. Epstein (eds.), *The Handbook of the Political Economy of Financial Crises*, New York: Oxford University Press, 2013.

© Phil Pasquini

Activists march during a protest at the World Bank and the IMF calling for a change in funding for a green future, in Washington DC, 14 October 2022.

the Miyazawa Initiative.[8] By contrast, Malaysia, which did not go to the IMF and imposed temporary capital controls to prevent further capital flight during its fiscal stimulus, recovered relatively quickly.[9]

Over the subsequent decades, these economies have recovered, albeit in different ways and to different degrees determined by the nature of the policy response in individual countries. But the recovery has not meant a return to "miracle" status. Though more integrated into the world system and dependent on exports to developed market economies, these countries have lost the dynamism they displayed during the 1960s and 1970s. As the world is experiencing an aggressive, 'new protectionism' led by the US, the dependence on export markets for growth associated with this integration is bound to prove a headache.

8 C. P. Chandrasekhar, "The Long Search for Stability: Financial Cooperation to Address Global Risks in the East Asian Region", *Institute for New Economic Thinking (INET) Working Paper Series*, 2021.

9 M. Khor, "The Malaysian Experience in Financial-Economic Crisis Management: An Alternative to the IMF-Style Approach," *TWN Global Economy Series*, Third World Network, 2005.

## Long run changes

Beyond the immediate crisis and adjustments, four, among many, long run shifts have marked the post-crisis evolution of these economies. First, to varying degrees, the combination of asset price deflation, currency depreciation and liberalisation of foreign investment rules triggered by crisis and adjustment resulted in significant acquisition of both production enterprises and financial firms by foreign investors.[10] The crisis meant a substantial loss of national ownership and control.

Second, these formerly dynamic economies moved on to a slow growth trajectory prompted by restrained investment. The crisis marked a clear break from the earlier trend where typically domestic investment rates were higher than saving rates, with the difference financed by foreign savings. That was in keeping with what should hold in a less developed country seeking to accelerate per capita income growth. However, after 1998, all these countries stopped being net recipients of foreign savings and instead suffered from net resource outflows, as domestic savings were higher than investment. That excess of savings over investment was triggered by public expenditure cuts and the knock-on effect on private investment. Savings, which were effectively squeezed out, were exported, either through capital outflows or by adding to the external reserves of the central banks held in safe assets abroad, typically US Treasury Bills. The returns on safe assets being much less than the profits earned by foreign investors entering these economies, the process involved a net outflow of foreign exchange.

The fear of a repeat of the large and destabilising movements of speculative capital, which were such a strong feature of the financial crisis of 1997-98, encouraged policies that resulted in persistent subdued economic growth well after the crisis. The idea was to guard against potentially damaging capital flight by building substantial foreign exchange reserves, even when these may involve large fiscal losses. In recent years, the reserve volumes have been much larger than the three months' imports worth seen as normally required to manage the imports of goods and services.[11]

In a world of liberalised exchange rates, currencies can be managed by central banks only through 'open market intervention'. This means that the destabilising effects of foreign capital outflows can be counteracted only through the sale of dollars. Reserve accumulation to finance such intervention undertaken at considerable foreign exchange cost was a form of insurance against the exit of capital attracted by the open capital account policies encouraged by the BWIs following the crisis.

Finally, the transformation of the growth strategy post-crisis, as a result of the neoliberal policies pushed by the BWIs, has not improved income distribution as reflected in the share of the bottom 50 per cent of the population in total pre-tax income. In fact, in the case of South Korea, which had achieved high-income status in 1994, well before the crisis, that share has shrunk from 27 per cent in 1995 to 18 per cent in 2024.

The evidence therefore is telling. The BWIs, with US backing, had a dominant role in determining the nature of the restructuring that followed the crisis in Southeast Asia in 1997, which devastated what were then considered economies that exemplified the potential for rapid development in low- and middle-income countries. This led to the adoption of procyclical policies that resulted in an immediate post-crisis recession. But that policy turn also paved the way for a prolonged period of muted growth in economies that were among the most dynamic in the pre-crisis era. Underlying that dampened growth experience was an investment famine aimed at reducing foreign exchange expenditure on imports, keeping wages reined in to enhance export competitiveness, and accumulating reserves at considerable cost to insure against capital flight rather than controlling speculative capital inflows. That is a legacy that the twins should absorb and correct in these and other contexts, if they are to regain at least some of the legitimacy they lost in the eyes of the Global South.

10 For example, Singtel and Telstra entered the Indonesian telecommunications sector, General Motors acquired Daewoo and New Bridge Capital acquired Korea First Bank in South Korea, and Standard Chartered acquired Thailand's then second oldest bank (Nakornthorn Bank).

11 Averaging nine months in Indonesia between 2015 and 2025, six months in Malaysia, nine months in South Korea and 11 months in Thailand.

# MDBs' role in fuelling the war, energy and climate crises

By Nazareth Del Pilar, NGO Forum on ADB

Five months into the US-Iran war, oil and gas disruptions have driven higher fuel prices, inflation and economic distress across Asia, and globally. In response, the World Bank and the Asian Development Bank (ADB) have offered "emergency support" that largely finances continued fossil fuel dependence: the ADB through reopened oil-import financing and 3RDO, its emergency finance instrument, and the World Bank through muted, country-by-country loans.

Amid the war, the energy policy changes at both banks distract from the most urgent energy concerns, by pivoting toward nuclear power and critical minerals extraction while sidelining decentralised, community-led renewable energy. In this article, the NGO Forum on ADB argues this is not a genuine crisis response, and calls for a just, transparent, renewable energy-centred alternative.

## MDBs' crisis response

It has been five months since the US-Iran war erupted. A ceasefire reached in April was followed by months of tension, a US naval blockade of Iran starting in mid-April, and new strikes in July after Iranian forces attacked commercial ships. Some analysts now believe full shipping through the Strait of Hormuz may not return until 2027, even if a lasting deal is reached.[1] For Asia, a region that receives around 80 per cent of the oil and gas passing through the Strait,[2] this is not a distant story about geopolitics but one of survival. It is the price of rice, the fare of a jeepney and the size of the electricity bill. Diesel prices across Asia have spiked, hitting Laos, the Philippines, Cambodia, Myanmar, Pakistan and Bangladesh the hardest.[3] In the Philippines, President Ferdinand Marcos Jr declared a state of national energy emergency, and the peso fell to record lows against the US dollar.[4] Indonesia has had to cut social protection spending to absorb fuel costs,[5] while Bangladesh has rationed energy and even shut down schools to protect its remaining oil reserves.[6] Unfortunately, these were just the worst trade-offs observed as the impacts of the war hit the region.

This is the situation multilateral development banks (MDBs), mainly the World Bank and the Asian Development Bank (ADB), stepped into with what they describe as "emergency support". Looking closely, what does this support actually pay for?

In April, the World Bank, the International Monetary Fund (IMF) and the International Energy Agency announced a joint coordination group to respond to the war's economic effects. On the same day, the ADB rolled out its own tool, the Rapid Resource Reprogramming and Deployment Option (3RDO).[7] On the surface, these look different. 3RDO lets ADB's developing member countries redirect up to 10 per cent of undisbursed sovereign funds (25 per cent for small island states) toward a pre-approved crisis project. The ADB has also temporarily reinstated its oil-import financing through its Trade and Supply Chain Finance Program (TSCFP), a facility it had reportedly stopped using for oil in 2023 for climate reasons. The World Bank, meanwhile, has approved country-specific packages, such as the $1.1 billion lent to Bangladesh in late June: $713 million for

1 Reuters, "No full Hormuz flows until first half of 2027, UAE's oil giant says", 21 May 2026.

2 R. Royandoyan, "Developing Asia's growth to slow as Iran war sends oil prices soaring: ADB", *Nikkei Asia*, 10 April 2026.

3 Global Petrol Prices, *Diesel prices in Asia, liter*, 27 July 2026.

4 Presidential Communications Office, *President Marcos declares State of National Energy Emergency; activates uplift as Whole-Of-Government Response Framework*, 24 March 2026.

5 S. Sulaiman, "Indonesia says budget cuts will be first response to oil price rise, not fiscal deficit spike", *Reuters*, 16 March 2026.

6 Anadolu and Reuters, "Bangladesh shuts universities, limits fuel sale as Iran war causes shortage", *Al Jazeera*, 9 March 2026.

7 B. A. De Vera, "Global lenders rush funds as war jolts markets", *Manila Bulletin*, 2 April 2026.

© Zachary Hurwitz / International Rivers

Power 4 People advocates protest outside the World Bank headquarters, Annual Meetings 2013.

emergency cash transfers and fuel and energy imports, and $300 million for fertilizer imports ahead of the coming rice seasons.[8]

The common thread is that both institutions are financing continued dependence on fossil fuels in the midst of the global energy crisis. The NGO Forum on ADB's statement to the ADB board on April 20[9] pointed out that reopening oil-import support for Pakistan and Sri Lanka goes directly against a June 2024 board decision where it had committed to phasing out those transactions by July 2025 for climate reasons.[10] The ADB responded that these are short-term transactions that pay for shipments rather than infrastructure, and argued they do not lock countries into fossil fuels over the long term.[11] However, this framing is a clear downplaying of climate alignment, mainly as a question of what type of asset is financed, rather than what kind of energy system a country is being pushed to keep depending on. In a practical sense, this could mean that a country potentially receiving a year of financed oil

8 World Bank Group, *Bangladesh: World Bank Provides $1.1 Billion Emergency Support to Safeguard Food Security, Livelihood*, 26 June 2026.

9 NGO Forum on ADB, *Forum Network Statement on ADB's Energy Crisis Response in Asia and the Pacific*, 20 April 2026.

10 Asian Development Bank, *Report and Recommendation of the President to the Board of Directors: ADB's Trade and Supply Chain Finance Program*, 2024.

11 NGO Forum on ADB, *Response on ADB's Energy Crisis Response*, 19 May 2026.

imports has, for that year, less pressure and less incentive to speed up the harder work of building renewable capacity and a more resilient grid.

While this is the case for the ADB, the World Bank has been quiet in these situations. Unlike during the Covid-19 pandemic or in response to the Russia-Ukraine war, the World Bank and IMF have not offered anything close to a systemic emergency response to the Hormuz shock.[12] There is no broad financing facility nor coordinated debt relief, only a slow trickle of country-by-country loans, even though 25 countries have already asked the World Bank for emergency financing and a dozen more have gone to the IMF.[13] A Bretton Woods Project analysis in July argued that this silence, compared to the size of the shock, reflects a deeper problem of legitimacy because the Bank and Fund moved quickly in past crises but now appear far less willing to respond to a crisis triggered by the actions of its own largest shareholder, the US.[14]

In other words, the ADB may have been visibly active, arguably too active, in ways that reopen fossil fuel financing lines it had previously agreed to close. The World Bank's approach has instead looked like business-as-usual through muted action, continuing existing lending patterns without the urgency CSOs demand. With these approaches, developing countries are left to absorb the lion's share of the shock through debt, austerity, or deeper fossil fuel dependence, while neither bank's underlying energy portfolio gets seriously re-examined.

## Energy policy changes going in the wrong direction (and timing)

The war has arrived amidst an already difficult situation for both the World Bank and the ADB's energy policies. In June 2025, after sustained lobbying from the nuclear industry and the Trump administration,[15] the World Bank's board lifted its decades-long ban on financing nuclear power, ending a policy that had been in place since 1959.

The ADB has since moved in the same direction, lifting its own restrictions on nuclear energy financing[16] during the Energy Policy Review of 2025. Framed as part of a "technology agnostic" strategy, this shift directs scarce concessional financing and institutional attention toward large, capital-intensive, slow-to-build nuclear projects, at the expense of the community-scale, faster-to-deploy renewable energy solutions that a genuine just transition should prioritise.

MDBs are pivoting toward critical minerals too. In April, the ADB joined the World Bank and other MDBs in a joint statement committing to rapidly scaling up critical minerals supply chains for the energy transition and the digital economy.[17] The World Bank has said it plans to increase its support for the minerals and metals sector fivefold over the next five years, building on roughly $10 billion already invested in mining-related projects over the past decade.[18] Civil society groups, mining-affected communities and Indigenous Peoples have warned the Bank's new minerals strategy risks repeating the same extractive, commodity dependence-inducing, community-displacing pattern seen in past mining-sector lending, only repackaged for the energy transition era.[19]

Amid the war, energy policy changes at both banks are stealing the spotlight from more urgent energy concerns. These shifts, including the reopened oil-import window,[20] a nuclear pivot, and a fast-moving minerals-extraction agenda, follow a dangerous and concerning pattern that works against the decentralised, publicly and community-led renewable energy pathway that the Forum Network and its allies have long argued is the only genuinely just transition available to developing member countries across Asia and the Pacific.[21] Large infrastructure, long procurement timelines, and mineral supply chains controlled by the same private actors who benefit from fossil fuel dependence do little to put energy security and affordability directly into the hands of the communities who need them most. This is even more evident and manifested in the present global energy crisis.

12 Bretton Woods Observer, *IMF and World Bank's muted response to illegal attacks on Iran deepens legitimacy concerns*, Summer 2026.

13 D. Lawder and A. Shalal, "IMF chief says 12 or more countries seeking loans to cope with Middle East war energy shock", *Reuters*, 16 April 2026.

14 Bretton Woods Observer, *IMF and World Bank's muted response*, Summer 2026.

15 M. Svenstrup and D. Giamo, *The World Bank Goes Nuclear*, Center for Global Development, 1July 2026.

16 World Nuclear News, "Asian Development Bank to start investing in nuclear", 25 November 2025.

17 World Bank Group, *Joint MDB Statement on Critical Minerals to Manufacturing Value Chains*, 17 April 2026.

18 World Bank Group, *Transforming Metals and Minerals into Jobs and Lasting Prosperity*, 12 December 2025.

19 Bretton Woods Observer, *New World Bank mineral and metals strategy challenged to avoid pitfalls of extractionist approach*, Summer 2026.

20 NGO Forum on ADB, *Forum Network Statement*, April 2026.

21 N. Del Pilar, *ADB Energy Policy Review 2025: A Missed Opportunity for Just Energy Transition in Asia*, Bankwatch, March 2026.

© Bretton Woods Project

Civil society protest against fossil fuels, during the say of action against the World Bank at the IMF and World Bank Annuals Meetings 2022 in Washington DC.

## What should be done?

This article does not reject the idea that people need help during the current crisis. Rather, it is a rejection of the idea that any support labelled "emergency" should automatically be accepted, regardless of what it locks countries into.

The World Bank and other MDBs tout their leadership in mobilising finance for renewable energy. Yet an analysis by international civil society organisation Recourse found that while its clean energy portfolio rose to 88 per cent between 2017 and 2022, it remains dominated by debt-creating loans rather than grants, risking further burdening developing countries. Nearly half the projects reviewed involve involuntary resettlement or land rights conflicts.[22]

A stronger alternative is needed, and there are already pockets of change that can be referred to. Australia's rooftop solar boom, now 40 per cent of the residential market with early government support, shows what distributed, community-mobilised renewable energy can look like.[23] In a small town of Labo, Camarines Norte, Philippines, farmers and cooperatives sought community support for installing solar photovoltaic systems which they can use to sustain their livelihoods. With the intermittent supply of electricity to far-flung areas, this initiative not only provided them with stable energy access but also allowed them to use it to mobilise additional funds for their social enterprises.[24]

These are one of the many existing models of distributed, decentralised and community-mobilised renewable energy systems. If the World Bank and ADB are to reshape energy finance for the transition, it should be community-led, with ample backing from governments, should not displace communities, and should be resilient to fossil fuel-induced crisis.

This is a crisis of the international financial system itself, one where ordinary people in the Global South are repeatedly left to absorb the costs of decisions made far above their heads. Five months into this war, the real test facing the MDBs is whether the money they move builds energy systems that are more resilient, more public and more just, or whether it simply buys another year of the same fossil fuel dependence that made this crisis so damaging in the first place.

22 M. M. Pascual, *Lost in Transition: Analysis of the World Bank's Renewable Energy Investments since Paris*, Recourse, September 2023.

23 Institute for Energy Economics and Financial Analysis, *Rooftop solar drives distributed energy resource growth across Australia, India and Bangladesh*, 4 August 2026.

24 Oxfam Pilipinas, *Panoorin kung paano nakatutulong ang renewable energy sa pagpapa-unlad ng social enterprise at agrikultura ng komunidad Labo, Camarines Norte*, 14 June 2024.

# Southeast Asia's lost steam: 'Middle-income-trap' or 'neoliberal trap'?

By Satyaki Roy, Institute for Studies in Industrial Development (ISID)

This article argues that the second tier newly industrialised economies of Southeast Asia attained high growth in the 1970s and 1980s but slowed thereafter and remained trapped in the middle-income group because of IMF and World Bank inspired neoliberal policies that restricted the autonomy of these economies in building cumulative industrial capacities. They heavily relied on foreign capital and technology inflows while undermining autonomous strategies aimed at expanding their domestic markets, prioritising investment to sectors that showed dynamic returns in export markets and channelling resources to build requisite backward linkages.

East and Southeast Asia's economic development has been showcased as a success story – one that disproves the arguments of dependency theorists regarding the impossibility of forms of capitalist diffusion through integration into global markets that can benefit developing countries. Most of these countries focused on Import Substitution Industrialisation (ISI) in the initial phase of the 1950s and 1960s. However, because of low domestic demand in largely agrarian economies, export-oriented growth strategies were adopted in a favourable context of expanding demand in the post-Cold War US economy. East Asian economies emerged as new destinations for investment and technology from Japan, particularly after the Plaza Accord in 1985 when the Japanese yen was appreciated against the US dollar.[1] The first tier of newly industrialised East Asian countries (NIC-1), namely, Singapore, Korea, Taiwan and Hong Kong, benefitted from this 'flying geese model', followed by the second-tier newly industrialised countries (NIC-2), Malaysia, Thailand, Indonesia and Philippines, which joined the middle-income group. The NIC-2 countries grew quickly throughout the 1970s and 1980s but faltered after the Asian financial crisis in 1997 with a declining share of manufacturing in GDP and premature hollowing out of industries.

The NIC-2 countries could attain middle-income levels but couldn't graduate to high-income status like the NIC-1 countries. This is often termed the 'middle-income trap', marked by rising labour costs with stagnant labour productivity, low levels of localisation and supply chain resilience. In the high growth phase, NIC-2 countries specialised in different sectors, taking advantage of export markets. Malaysia initially focused on durable consumer goods such as food processing, sewing machines and detergents, then graduated to fibre textiles, electronics, ship building and steel machinery[2] followed by automotive, methanol, cement and steel. In the 1990s, market reforms recommended by the IMF and World Bank led to higher demand for petroleum products and foreign direct investment (FDI) was attracted in the automotive, metal and petrochemical industries. Thailand focused on building regional supply chains in raw material processing, home appliance assembling, toys and leather goods and emerged as a hub for textiles and automobiles.[3] Indonesia had the lowest industrial foundation in Southeast Asia before embarking on nationalisation and ISI policies in the initial years focussing on agricultural products, consumer goods, equipment and textiles. Being oil rich, Indonesia took advantage of oil price increases twice in the 1970s but suffered after the oil crisis in the 1980s when prices of agricultural commodities collapsed. Before the 1960s, the Philippines had the second largest share of manufacturing after Japan in Southeast Asia, but industrial growth was hindered by long lasting political instability and the extraction of surplus by US multinational corporations. The Philippines restricted FDI inflow and introduced trade reforms much later compared to other NIC-2 countries due to the strong anti-American sentiment of the national bourgeoisie, and focused on furniture, electronics and mechanical components.[4] All these Southeast Asian

1 J. G. Palma and J. Pincus, "Is Southeast Asia falling into a Latin American-style middle-income trap?", *The Japanese Political Economy*, vol. 50, no. 3–4 (2024), 305–337.

2 Y. Ke, "ASEAN Four's middle income trap dilemma: Evidence of the middle technology trap", *Asian Review of Political Economy*, vol. 3, no. 14 (2024).

3 P. Intarakumnerd, *Mismanaging innovation systems: Thailand and the middle-income trap*, London: Routledge, 2017.

4 Y. Ke, 2024.

© Bretton Woods Project

Protest against the World Bank and IMF policies during the Annual Meetings 2022 in Washington DC.

countries experienced high growth in labour and resource intensive sectors depending heavily on imported technology, components and foreign capital.

The Asian financial crisis of 1997 hit these economies hard. One of the proximate causes of this crisis was external financial liberalisation that allowed short-term borrowing for long-term projects and delinked foreign exchange inflows from export earnings, causing appreciation of the real exchange rate that shifted incentives within the domestic economy from tradeable to non-tradeable.[5] The crisis resulted in massive capital outflows, shrinking exports, widening current account deficits, high inflation and rising interest rates, leading to declining consumption growth and rising government debt. IMF-inspired macro-stabilisation policies such as maintaining high interest rates, tight monetary policy and fiscal compression further accelerated the downward spiral particularly in Thailand, Indonesia and Philippines.[6] In many Southeast Asian countries, per capita income fell while labour costs rose.[7] After the East-Asian crisis in 1997-98 and particularly with the admission of China to the World Trade Organisation (WTO) in 2001, the second-tier NICs with weak downstream and upstream industries were priced out by China which was able to lower labour costs.[8] In resource rich NIC-2 countries, rents accumulated from extractive industries such as petrochemicals were not invested in developing high-tech processing capacities or manufacturing technology-intensive equipment.[9]

## The middle-income trap in Asia

A large number of countries in the world including the NIC-2 graduated from low- to medium-income country status but could not transition to the high-income bracket, a phenomenon Gill and Kharas named the 'middle-income trap'.[10] The term implied that the reason for these countries' economic slowdown was their inability to cross the technology frontier or failure to climb up the value ladder. Neoclassical growth theorists and World Bank studies[11] would suggest that reforms to counter impediments to human capital development, free flow of finance and constraints in domestic markets caused by rent-seeking through overregulation or corruption would enable specialisation in niche markets and products allowing firms to derive increasing returns through technology spillover. But the technology flow was never costless. Multinational corporations relocated their labour-intensive activities to developing countries but restricted diffusion of core technologies through intellectual property rights. Also, reliance on FDI and technology transfer created 'lazy capitalism' due to path dependence.[12] Huge inflows of aid and military assistance from the US as well as military-linked trading and tourism generated consumption growth in Thailand and the Philippines while they failed to upgrade their own productive capacities. Hence, contrary to predictions of neoclassical models, NIC-2 faced

5 J. Ghosh, *Adjustment, recovery and growth after financial crisis: A consideration of five 'crisis' countries of East and Southeast Asia*. In J. Ghosh and C. P. Chandrasekhar (Eds.), *After crisis: Adjustment, recovery and fragility in East Asia*, Tulika Books, 2009, pp. 55-68.

6 E. Bejar Jr., "The tenth anniversary of the Asian crisis; A retrospective on East Asian economic performance", *Challenge*, vol. 50, no. 5 (2007).

7 Y. Ke, 2024.

8 *Ibid*.

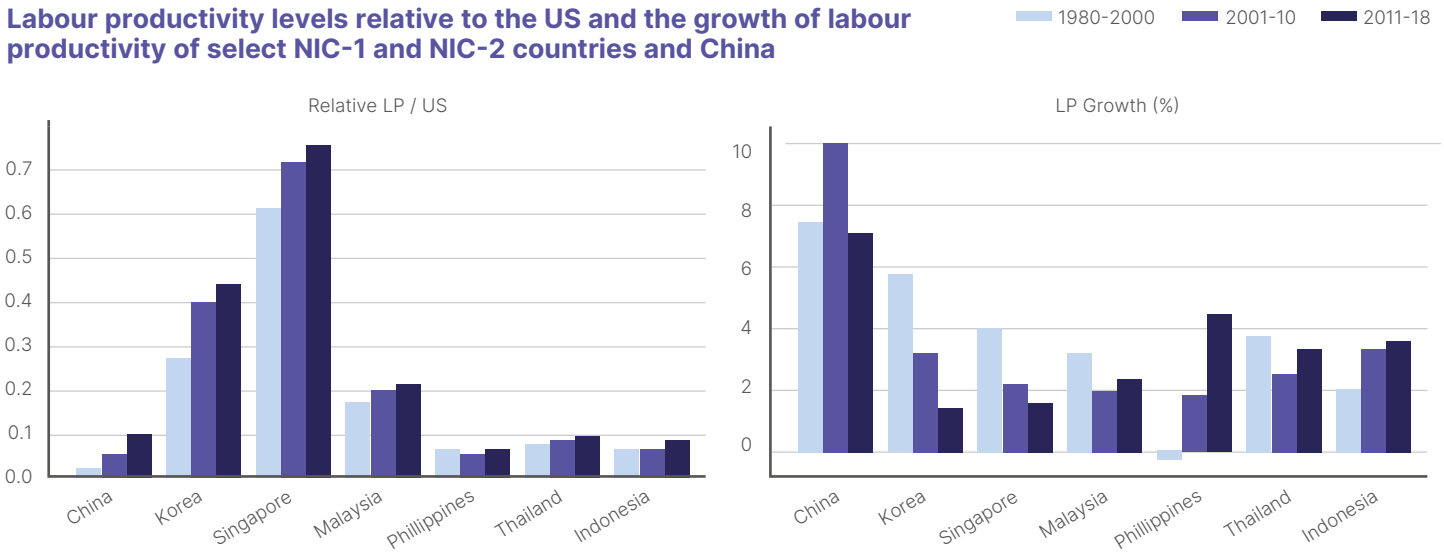
9 Palma and J. Pincus, 2024.

10 I. Gill and H. Kharas, *An East Asian renaissance: Ideas for economic growth*, World Bank, 2007.

11 World Bank Group, *World Development Report: Governance and the Law*, 2017, pp. 159-62.

12 J. Glassman, "Lineages of the authoritarian state in Thailand: Military dictatorship, lazy capitalism, and the Cold War past as post-Cold War prologue", *Journal of Contemporary Asia*, vol. 50, no. 4 (2019), 571–592.

**Labour productivity levels relative to the US and the growth of labour productivity of select NIC-1 and NIC-2 countries and China**




Source: Author's calculation from 'Aggregate Productivity Data' World Bank Group; Notes: Level of Labour Productivity is GDP/employment in 2010 constant dollars; growth in percentage.

slowing growth and productivity well before reaching the technology frontier. This is reflected in the figure above.

The faster growth of NIC-1 countries such as Korea or Taiwan cannot be analysed without considering the geopolitical context that facilitated it. Korea could move from chemical fibres, textiles and transistors in the 1960s to oil drilling platforms, microelectronics and chemical engineering in the 1990s. But the geopolitical context of the Cold War and the need to create successful capitalist "showcase" economies in strategically important Asian countries as a counterweight to the rapid growth of socialist economies created the specific context for capitalist diffusion.[13] [14] The US occupation in Korea and Taiwan in the 1950s and the land reforms that followed weakened the rural aristocracy and helped expand domestic markets. On the other hand, expansion of the global market during the post war long boom created advantages for export-led growth. The active states in these countries coordinated the process of industrialisation through targeted strategies. They mobilised and coordinated resources by controlling banks, disciplined the industrial class through enforcing compliance against incentives, and coordinated the choice of product, technology, scale of operation and prices according to the evolving export markets. Also, unlike the general feature of hegemonic control, US intervention in these Asian economies was not targeted to extract resources or capture markets but aimed to showcase latecomer success stories or 'miracles' within the capitalist world.

## The neoliberal trap of free trade and capital flows

With the end of the Cold War this specific conjuncture of capital and technology transfer and privileged access to markets for NIC-2 countries came to an end. Instead, liberalising market and capital flows imposed by the IMF and World Bank through structural adjustment programmes restricted the autonomy of nation-states in strategies of industrialisation. Free flow of capital and reliance on external finance increases volatility in exchange rates and the threat of capital flight conditions domestic policies according to the imperatives of global finance. Also, with the rise of relative profitability in financial sectors, resources flow towards speculative financial assets and, as the corporate governance shifts toward maximising shareholders' returns, investment in productive capacities suffers. Foreign investment also seeks higher returns through mergers and acquisitions rather than in greenfield investments that enhance productive capacity. The NIC-2 countries grew primarily by taking advantage of foreign investment and the

13 J. Ghosh and C. P. Chandrasekhar, *Crisis as conquest: Learning from East Asia*, Orient BlackSwan, 2017.

14 R. Stubbs, *Rethinking Asia's economic miracle: The political economy of war, prosperity, and crisis*, Bloomsbury Publishing, 2005.

presence of a large export market for assembly-based standardised manufacturing products in which cheap labour was the prime comparative advantage. With emerging new spaces endowed with cheaper sources of labour, they reached their limits due to capital being redirected to other countries.[15] It is extremely important for producers performing labour intensive tasks in global production networks to move up the value chain. Competition in labour intensive industries is now not only based on low production costs, but rather standardised tasks, quality and strict delivery time matters. Since all countries endowed with cheap labour are trying to do the same thing, competition increasingly shifts to other capacities beyond low-wage cost.

The World Bank's *World Development Report 2024* focused on the 'middle-income trap' phenomenon addressing the ambition of 108 middle-income countries to reach high-income levels.[16] Since the 1990s only 34 countries in the world transitioned to high-income status comprising a total population less than the population of Pakistan. The prescription of the World Bank to overcome the middle-income trap however remained restricted to supply side interventions along the usual lines of efficient use of factors, promoting talent and capitalising on crisis, for example, through the process of 'creative destruction', increasing investment, infusing foreign technology and moving gradually to higher paths of innovation. According to the WBG, countries must facilitate the diffusion of technologies with fluid factor and product markets, discipline market leaders through integration into global contestable markets, reward value adding firms and enhance energy efficiency through reflecting environmental costs in energy prices. These supply-side measures, the report claimed, will enable middle-income countries to achieve miracles.

However, these policies were nothing but a rehash of the earlier recipes of neoliberal reforms which incapacitated states to regulate finance, restricted technology diffusion through relieving foreign investors from conditions of local content requirements, ignored the need to expand domestic demand, and reduced the capacity of the state in disciplining incumbent foreign and domestic capital that accumulate rents.[17] In a recent report on industrial policy for development,[18] the World Bank admitted that one size didn't fit all, and that the 'East Asian miracle' was dependent on a specific combination of factors, namely a growing global market with stable rules. The report underlined the importance of state capacity, size of domestic market and fiscal space in determining the appropriate mix of policy tools that would be effective in a particular context. However, it maintained silence on the crucial fact that without control over capital flows such interventions would not lead to the gains described.

Neoclassical growth theory assumes technology growth as independent from the growth of investment and effective demand. Kaldor's laws[19] however suggest that the growth of productivity in manufacturing depends on the growth of manufacturing output because as the scale of production increases with increased demand, average fixed costs tend to decline. Kaldor emphasises that the growth of domestic markets attracts investment in backward linkage and enhances static returns. Dynamic returns, however, are derived through learning by doing and technological innovation.

Reliance on domestic demand has become even more important today when global growth has been sluggish compared to that of the post-war boom, and many economies are taking a protectionist stance.[20] [21] With restricted access to export markets, competition among producers may intensify the deregulatory 'race to the bottom' toward cheapening labour while the continuing volatility in capital flows restricts autonomous growth of industrial capacity. Technological progress in the long run depends on the growth of domestic demand, strategically investing in sectors that show dynamic returns in export markets and channelling resources to the backward linkages. After the Cold War, the NIC-2 countries became captive to a 'neoliberal trap' of ensuring free flow of capital and trade with rising imports in an export-led growth trajectory competing through low labour costs. The BWIs-led policies restricted the autonomy of the state from using resources to climb up the technology ladder through innovation and productivity growth and also weakened the process of building industrial capacities in their backward linkages.

15 T. Carroll, "Capitalism, conflict and contradiction: Southeast Asia's development and the reorganisation of production", *Journal of Contemporary Asia*, vol. 51, no. 2 (2021), 207–232.

16 World Bank Group, *World Development Report 2024: Creative destruction and the middle-income trap*, 2024.

17 J. G. Palma and J. Pincus, 2024.

18 A. M. Fernandes and T. Reed, *Industrial policy for development: approaches in the twenty-first century*, World Bank, 2026.

19 N. Kaldor, *Causes of the slow rate of economic growth of the United Kingdom*, Cambridge University Press, 1966; N Kaldor, Kaldor, "Further essays on economic theory", *The Economic Journal*, vol. 6 (1978).

20 M. Sawyer, "Secular stagnation and monopoly capitalism", *Journal of Post Keynesian Economics*, vol. 46, no. 4 (2023), 545-565.

21 IMF, *World Economic Outlook: Global Economy in the Shadow of War*, April 2026.

# Neoliberalism, mining and corporate capture in Odisha

By Sharanya Nayak, RITES Forum member of the Asia Pacific Forum on Women, Law and Development

The global economy is becoming increasingly volatile due to the convergence of geopolitical conflicts, trade fragmentation, trade wars and the accelerating climate crisis, which are creating widespread uncertainty. This is the result of decades of an economic system that is rooted in imperialist exploitation, extraction and expansion, a neoliberal structure facilitated by international financial institutions (IFIs) through their Structural Adjustment Programmes (SAP), which replicate the colonial system.

This article analyses the consequences of the Bretton Woods Institutions' promotion of reforms through SAPs, which have altered macroeconomic policies in developing countries. Focusing on mining in Odisha, India, it looks at how trade liberalisation, privatisation and deregulation have enabled corporate capture of land and resources, deepened extractivism, and disproportionately affected Indigenous Peoples and women.

## Neoliberalism and corporate capture

Market-driven policies imposed by the IMF and the World Bank Group (i.e. the Bretton Woods Institutions; BWIs) through the 1980s and 1990s Structural Adjustment Programmes (SAPs) opened a gateway for capitalist overproduction, wealth accumulation, surplus dumping and extensive plunder of the planet, driven by global corporate monopolies from rich industrialised countries, abetted by the elite from the southern countries. SAPs were a catalyst for an economic model that was influential internationally, helping to build the global edifice for neoliberal policies that were then pursued by national governments, including, for example, through corporate capture by national actors.[1]

The crux of neoliberal policies is to establish path dependencies that make countries of the South dependent, and unable to break the vicious cycle of exploitation, prioritising trade liberalisation for foreign investment and corporations over national and local development. This system has cemented its roots in the global economy, and the consequences and ramifications are faced by the people of the Global South. The investment and development costs come at the exploitation of women's labour, indigenous rights, environmental and climate degradation, resulting in increased inequality and grinding poverty, job loss, weakening of social protection, food insecurity, labour exploitation, and land and resource grabbing.

The WBG claims that to reduce poverty, create job opportunities and increase incomes in southern countries, the Global South needs to participate in global value chains (GVC's).[2] These GVCs have been fostered by trade liberalisation through regional and bilateral trade, and investment agreements. GVCs ensure raw materials are produced and extracted in the Global South, but profits are concentrated in the Global North as the large transnational corporations retain control over production, technology, intellectual property, branding and market access to add value to the final product; this systematically exacerbates global inequality.

## Case Study in India

After its independence in 1947, India adopted an interventionist economic policy[3] that heavily focused on public ownership to build its domestic manufacturing sector. In the early 1990s, India faced a massive external debt crisis – $69 billion in 1990-1991[4] – and depletion of foreign exchange reserves resulted in severe economic

1 N. Hermes and A, Schilder, *Setting Priorities: The IMF and World Bank and Structural Adjustment Programmes*, ed. By P. Boorma, K. Aarts, A.E. Steenge, 1997, p. 39.

2 World Bank Group, *Global Value Chain*, 2026, accessed 1 September 2026.

3 V. Cerra and S. C. Saxena, "What Caused the 1991 Currency Crisis in India?", *IMF Staff Papers*, vol. 49, no. 3 (2002), p. 400.

4 *Ibid*, p. 402.

© IFPRI

Tribal women observing land demarcation in Odisha, India.

collapse.[5] To stabilise the economy, the government approached the IMF and WBG for a $2.2 billion financing package, which came with predetermined conditionalities to implement the SAPs, stripping the government of policy autonomy.[6]

Under pressure from the BWIs, India adopted the New Economic Policy (NEP) in 1991 – centred on liberalisation, privatisation and deregulation, ultimately establishing a "free market economy"[7] – which changed the blueprint of India's economy. The NEP limited government intervention, opened India's economy to global markets by lowering trade barriers, and focused on export-oriented growth by lowering the ceiling on import taxes and removing import licensing.[8] It facilitated the expansion of

5 P. Majumdar, "The Compulsion of 1991: How a Balance of Payments Crisis Forced India's Economic Liberalisation", *International Journal of Economics Finance and Management Sciences*, 13.5 (2025), 288-296 (p. 289).

6 *Ibid*, p. 292.

7 H. Sanusi, "Indian structural adjustment reforms: seeds from Washington Consensus", *Advances in Economics and Business Management*, vol. 2, no. 2 (2015), 172-177 (p. 175).

8 *Ibid*.

the private sector and foreign investment by allowing foreign investors to hold 51 per cent of equity shares in priority industries,[9] resulting in increased corporate influence on public policy. It also relaxed policies that protected labour, land and indigenous rights.

This was followed by the development of the National Mineral Policy in 1993, which ended state control over reserved minerals for the public sector, opening the market to the private sector and foreign investors.[10] India is the world's second largest producer of coal, steel and aluminium after China,[11] and ranks among the top five global bauxite producers, with total resources estimated at 3.9 billion tonnes.[12] Odisha – India's eastern state – holds significant mineral resources, in particular iron ore and bauxite.[13] Its mining areas show how the liberalisation pushed by the IFIs through SAPs via deregulation, trade liberalisation and privatisation captured resources and left communities to face the brunt of the consequences to date. While India has not had an IMF programme since 1991, it is the World Bank's largest client. There, the Bank continues to prioritise exports-oriented growth to earn foreign currency, deepening its reliance on foreign capital, and constraining its ability to pursue development strategies that promote human development and attain economic autonomy.[14]

Since the liberalisation process, Odisha has attracted large capital-intensive projects by mineral-focused private-sector firms – the state has 147 reported mines as of 2023-24.[15] The Odisha Government also receives external development assistance, largely in the form of loans from bilateral sources such as Japan and Germany, and from multilateral sources such as the World Bank, the Asian Development Bank (ADB),[16] the International Fund for Agricultural Development,[17] and OPEC Fund for International Development. Recently, in a joint venture, Abu Dhabi's International Holding Company (IHC) and Adani Group have committed to invest $11.5 billion, making this the largest foreign investment in the metal sector in Odisha.[18]

For mining in Odisha, the World Bank provided technical assistance, particularly focusing on ecosystem management and infrastructure development by initiating a resource corridor, claiming that optimisation of mining operations will generate revenue and result in 'development',[19] and presenting infrastructure corridors as a necessity for competitiveness, job creation and reduction of emissions.[20] To address the supply side bottlenecks, the Bank further fuelled the extraction of resources and land grabbing from communities. Communities residing in Odisha have opposed the infrastructure project due to fear of further encroachment of their land and the acceleration of further mining. They have been faced with police force, arrest and harassment.[21] The Bank also loaned $650 million for the development of the Eastern Dedicated Freight Corridor to carry goods,[22] and it is now lending $245 million to modernise rail and logistics infrastructure.[23]

In 2026, the WBG approved $1.5 billion to support India's structural reforms to boost private sector-led job creation for economic growth.[24] The programme focuses on improving the environment for firms, mobilising private investment and expanding productive job opportunities. The Bank is pushing for lowering the compliance burden on firms, in the hope that this will attract additional FDI and more private investment.[25] The new labour law

9 *Ibid*, p. 174.

10 D. V. Pichamuthu, "Note on the Evolution of India's Mineral Policy and its Impact on the Mineral Industry", *Journal Geological Society of India*, 78 (2011), 285-288 (p. 85).

11 S. Das, "The rise of global aluminium hubs outside China", *The AL Circle*, 6 April 2026, accessed 20 August 2026.

12 Innourbia Solution, *What Is Bauxite and Why It is Critical to India's Strategic Mineral Future*, 20 June 2025, accessed 8 September 2026.

13 World Bank Group, *Mining for Inclusive Growth in Odisha, India*, 2016.

14 J. Mahlangu, "The influence of the IMF and World Bank on national sovereignty", *Political Science*, University of Pretoria (2025).

15 See *Ministry of Mines, Govt of India*, Last Updated: 8 Sep 2026, accessed 8 September 2026.

16 Asian Development Bank, "ADB, India Sign $85 Million Loan to Support Odisha Skills Development Project", 3 December 2018.

17 S. Barik, "Odisha to Secure ₹ 734.86 cr. loans from IFAD to uplift tribals", *The Hindu*, 10 December 2024.

18 The Northern Miner Group, *UAE's IHC, Adani plan $11.5 billion aluminum project in India's Odisha*, 2 July 2026, accessed 10 September 2026.

19 World Bank Group, 2016.

20 World Bank Group, *Transforming Logistics: The Power of Rail Investment*, 2 September 2025.

21 A.K. Shukla, "A bauxite mining project, contested consent and growing tensions", *Mongabay*, 1 June 2026.

22 The Economic Times, "World Bank to lend $650 million for 1,840 km long Eastern Dedicated Freight Corridor between Ludhiana and Kolkata", 2 July 2015.

23 World Bank Group, *World Bank Provides $245 Million to Help Indian Railways Carry More Freight*, Reduce GHG Emissions, 10 June 2022.

24 World Bank Group, *World Bank Group Provides New Financing in Support of India's Reform Program to Boost Growth and Jobs*, 18 June 2026.

25 World Bank, Group, *India: Accelerated Reforms Needed to Speed up Growth and Achieve High-Income Status by 2047*, 28 February 2025.

codes limit collective bargaining as they will only recognise one trade union. It also creates loopholes that can be used to replace permanent employment, and it has flawed minimum wages and inadequate social security provisions.[26]

## Development for whom?

Odisha has rich forests and fertile agricultural land essential to the ecosystem, and soil conservation and regulation of water availability and quality needed to protect biological diversity.[27] Due to mining, these important ecosystems are being destroyed: some districts have lost more than 20 per cent of their forests[28] as more lands are occupied by the mining companies. In 2023, the government auctioned 1,548 hectares of land that holds 311 million tons of bauxite to produce 9 million tonnes every year for 31 years to mining companies.[29] The government has also forcibly acquired 2,700 acres of forest land where villagers had been cultivating betel vines. This has destroyed one thousand acres of cultivated land and betel vines.[30] Some of the areas, seized by mining corporations, are legally protected under the Forest Rights Act and the Panchayats (Extension to Scheduled Areas) Act, 1996.[31]

Indigenous tribal communities rely on the forest for medicinal plants, fodder for domestic animals, and sources of water that sustain many villagers' livelihoods.[32] Indigenous women sell sal leaf plates as one of their key income-generating activities, collect mushrooms and other non-timber forest products and use the forest to pray to their gods.[33] As the areas are being commercialised to gain access to resources, many people are faced with forced eviction and displacement from their habitats, while many have not received any compensation or proper rehabilitation.[34]

© rawpixel.com

Coal mine in Odisha.

Due to the large scale of mining, farming has been affected as the quality of the soil is deteriorating over time.[35] Women constitute nearly two-thirds of India's agricultural workforce,[36] although they only own 11 per cent of agricultural land.[37] WBG policies are further entrenching their economic precarity and labour

26 S. Mehrotra and K. Sarkar, "Impact of New Labour Codes on Workers", *The Indian Forum*, 4 February 2026.

27 M. Mishra, C. A. G. Santos and T. V. M. Nascimento, "Mining impacts on forest covIndigenousthe er change in a tropical forest using remote sensing and spatial information from 2001-2019: A case study of Odisha (India)", *Journal of Environmental Management*, 302 (2022).

28 *Ibid*, p. 3.

29 A. K. Shukla, 2026.

30 P. Samantara, "Corporate Capture and Plight of the People in Odisha", *Janata Weekly*, vol. 76, no. 39, 13 August 2022.

31 *Ibid*.

32 S. Dhar, *One World South Asia: Nature's guardians: Odisha's tribal women save their forest*, Rights and Resources Initiative, 5 July 2012.

33 *Ibid*.

34 P. Samantara, 2022; M. Sahoo, "Mining and Social Capital: A Micro-analysis from Odisha, India", *Journal of Population and Social Studies*, Central University of Odisha, 29 (2020), 100-117.

35 M. Kumar, "Tribal way of life hits rock bottom even as mining hits new highs in Odisha", *Mongabay*, 16 Sep 2019, accessed 20 August 2026.

36 A. K. Padhee *et al*., "When Women lead: Odisha's Path to Climate- Resilient Agriculture," IFPRI, 12 November 2025.

37 *Ibid*.

38 United Nations, *The Sustainable Development Goals Report*, 2025, p. 25.

39 International Labour Organisation, *World of Work Seriers: Employment and Social Trends*, 2026, p. 15.

exploitation. When agricultural lands are seized by corporations, the loss of jobs has an economic impact, risks food insecurity, and further contributes to poverty and inequality. The displacement of local industries, reliance on export-driven economies, privatisation, informalisation and recent trade policy uncertainties have further undermined the job market, resulting in precarious employment. In 2024, 57.8 per cent of the global workforce was informally employed, an increase of 0.2 per cent from the previous year,[38] and in 2026, 2.1 billion workers are expected to hold informal jobs, with limited access to social protection, labour rights and job security.[39] Women's participation in the informal sector increased from 54.8 per cent in 2015 to 55.9 per cent in 2025,[40] often in the most vulnerable positions, further limiting their economic mobility and exposing them to insecure, exploitative working conditions. When these sectors experience cuts, women are often the first to face unemployment, with fewer options to transition to other formal sectors.

The consequences of these neoliberal policies embolden the extraction and exploitation of resources, resulting in environmental degradation, as the sole purpose and focus of powerful actors become increasing profit and revenues. Mining has destroyed forestry and critical water sources. Mining also turns springs into dirty seasonal trickles, which not only affects but also pollutes the entire river system downstream.[41] Due to mining, the area is dotted with orange-coloured ponds, effluents from mining and post-mining activities impacting all the inhabitants in the area, and increasing women's unpaid labour.[42] Women have to travel significant distances to fetch water, particularly in rural areas where the infrastructure is not adequate to have a water supply at home.[43] They are forced to supplement the need for care and unpaid work to compensate for the systemic gaps in social infrastructure – 708 million women are unable to participate in the labour market due to unpaid care work responsibilities.[44]

Odisha's example shows how trade liberalisation, coupled with other aspects of the legacy of the BWI's SAPs, has exacerbated inequality, corporate capture, extraction and displacement. Local communities, particularly Indigenous Peoples and women, bear the costs through loss of land and livelihood, and ongoing displacement. To break the shackles of neo-colonialism, Global South communities need to confront the neoliberal paradigm. This prevailing economic system systematically perpetuates the exploitation of resources and labour.

For the people's movements, there is no other recourse but to challenge the imperialist global financial system and dismantle the neoliberal frameworks and institutions, like the IMF and WBG, that reinforce the colonial system under the guise of development. People demand 'Shut Down of the IMF-WBG' for development justice, for people's liberation and sovereignty.

40 *Ibid*, p.15.

41 A. K. Shukla, 2026.

42 *Ibid*.

43 *Ibid*.

44 International Labour Organisation, *Unpaid care work prevents 708 million women from participating in the labour market*, 29 October 2024.

# Increasing influence, diminishing accountability: The World Bank in India

By Joe Athialy and Asmi Sharma, Centre for Financial Accountability

The World Bank Group's (WBG) engagement with India is among its largest and longest running country programmes. Its current portfolio as of December 2025 comprises 75 active lending projects with commitments of around $17.8 billion, making India the Bank's largest borrower. However, the significance of this historic relationship cannot be measured through lending volumes alone. It must be understood by the far-reaching impacts of the Bank, its prescriptions and investments. Over its eight decades of engagement in India, the WBG's has exercised immense influence over India's development trajectory, national policies and governance structures.

This article looks at the World Bank's approach to accountability and analyses how, as its modes of intervention expanded, the points at which accountability could be identified and contested also shifted, thus further eroding it to the detriment of affected communities.

At the end of 2024, as the World Bank and the IMF commemorated their 80th anniversary, over 300 people held a People's Tribunal in India to examine the institutions' legacy on people, the environment and the economy.[1] With over 30 depositions from experts, project-affected communities and civil society organisations – and building on a similar tribunal held two decades earlier in New Delhi in 2007[2] – what emerged was evidence of the Bank's perpetual evasion of accountability and its invention of newer investment mechanisms, which blurred transparency and further eluded people's efforts to hold them accountable.

This history of resistance can be traced to the early decades of the Bank's engagement in India – from the late 1960s when then-Bank President Robert McNamara was prevented from exiting the Kolkata airport, where he was on an official visit, after protesters gathered to oppose the Bank's role in the country. Decades later, sustained mobilisation by Adivasis, farmers and other impacted communities forced the Bank to review its lending to the Sardar Sarovar (Narmada dam) Project,[3] which eventually compelled it to establish the Inspection Panel in 1993,[4] the first accountability mechanism in any multilateral development bank. The sustained pressure and demand for accountability eventually led the Bank to cancel the loan after the project's social and environmental harms became impossible to disregard.

Two decades after the Bank withdrew from the Narmada dam project, communities affected by finance from the International Finance Corporation (IFC), the Bank's private sector arm, for the Tata Mundra power plant, under the aegis of Machimar Adhikar Sangharsh Sangathan (Association for the Struggle of Fisherpeoples' Rights) sued the IFC in the United States, which resulted in the US Supreme Court ruling that the World Bank Group does not enjoy absolute immunity.[5]

While responses to these two projects are landmarks in people's efforts to hold the Bank accountable, there were several other projects in India where project-affected communities and civil society groups were compelled to engage with the Bank through its accountability mechanisms and in public advocacy over serious project impacts. These include the Lafarge mining project in Meghalaya,[6] the Vishnugad Pipalkoti[7]

1 Center for Financial Accountability, *People's Tribunal: A Report on the Proceedings, Testimonies, and Verdicts, 7-8 December 2024*, accessed 16 September 2026.

2 See website: *Independent People's Tribunal on the World Bank in India*.

3 R. H. Wade, "Muddy Waters: Inside the World Bank as it Struggles with the Narmanda Projects", *Economic & Political Weekly*, vol. 46, Issue 40, 1 October 2011.

4 T. Alex, "25 years of Independent Accountability Mechanisms", Center for Financial Accountability, 26 August 2018.

5 M. Harrison and L. Bailey, *Ending "absolute immunity" for the International Finance Corporation: The legacy of Jam v. IFC*, in Bretton Woods Observer, Summer 2022.

6 Bretton Woods Project, *Complaint filed against IFC funded Lafarge mining operation*, 24 February 2014.

7 Coalition for Human Rights in Development, *Threats and Intimidation Against Communities in Chamoli*, India, 13 July 2016.

and Allian Duhangan[8] dam projects in the Himalayas, the Mumbai Urban Transport Project,[9] and water privatisation in Madhya Pradesh.[10] This is in addition to a large body of work exposing the Bank's interference in the power, education and health sectors in India, all of which were privatised, making it difficult for the common people to afford essential services.

## Historical evolution of World Bank in India

Over its eight decades of engagement in India, the WBG's approach has evolved from direct lending for infrastructure projects in the early years of independence to what is today known as the 'Finance+' approach,[11] through which the Bank has exercised immense influence over India's development trajectory, national policies and governance structures. As the Bank's modes of intervention expanded, the points at which accountability could be identified and contested also shifted.

The first phase of intervention from 1948 to 1970 saw the Bank's engagement primarily rooted in direct lending for infrastructure development, broadly in line with India's Five Year Plans.[12] From the 1970s, as India dealt with a food sufficiency crisis, funding for agriculture expanded through irrigation and rural credit. A shift, however, occurred in 1958, when the Bank moved from direct project lending to coordinating multilateral assistance through the Aid-India Consortium during a balance-of-payments crisis. This marked the start of the Bank's direct involvement in discussions about India's economic performance, policies and development priorities and laid the foundations for its expanding policy influence in the subsequent decades.

The second phase spanning the 1980s and 1990s saw a shift and consolidation in the Bank's own institutional positions, which increasingly reflected a belief that state-led development and industrialisation were themselves the main obstacles to growth. The World Bank and IMF articulated this shift through the Washington Consensus, which called for fiscal austerity, trade and financial liberalisation, deregulation, privatisation and an overall retracted role of the state in the economy. This vision was operationalised through the Structural Adjustment Programs (SAPs). In India, attempts at this were pushed throughout the 1980s by easing import restrictions, industrial delicensing, etc.,[13] before finding full expression in 1991 when a balance of payments crisis and related IMF loan forced the country to accept adjustment as the price of assistance was dependent on restructuring the economy through the New Economic Policies.[14]

However, economists have argued that these reforms were not an unavoidable response to the collapse of the earlier economic system but rather an 'opportunity' for the IMF, World Bank and certain Indian political and business interests to restructure the economy in favour of markets and global finance.[15] Although the SAPs were eventually phased out, they left behind a lasting template that continues in different guises but operates through similar conditionalities that continue to limit state sovereignty and policy space. This template has also given an increasingly pro-corporate and authoritarian Indian state a rationale for deregulation, privatisation and other policy measures that have undermined the public interest, exacerbated inequality, weakened public institutions, restricted access to essential services and contributed to environmental destruction.[16]

The expansion of policy influence was also met with an expansion of resistance. During this period, as the Bank was consolidating its influence in India and, influenced by the ideas of transparency and accountability that were taking hold globally, India saw the proliferation

8 World Rainforest Movement Bulletin, *India: Ravaged Landscape, Devastated People - Tales of Hydro Power CDM projects in Himachal Pradesh*, 30 April 2011.

9 World Bank Group, *Mumbai Urban Transport Project: urban resettlement*, 2012, accessed 16 September 2026.

10 M. A. Kendra, *Residents of Khandwa in Madhya Pradesh, resist public private partnership in their water supply project*, India Water Portal, 20 March 2013.

11 D. Sikarwar, "Government has decided to alter nature of engagement with multilateral financial institutions", *The Economic Times*, 3 October 2011.

12 N. A. Sarma, "Economic Development in India: The First and the Second Five Year Plans", *IMF Staff papers*, vol. 6, no. 2 (1958).

13 A. Panagariya, "India in the 1980s and 1990s: A Triumph of Reforms", *IMF Working Paper*, March 2004.

14 A. Kohli, "State, Business, and Economic Growth in India", *Springer Nature*, 42 (2007), 87–114.

15 P. Patnaik and C. P. Chandrasekhar, "Indian Economy under 'Structural Adjustment'", *Economic and Political Weekly*, vol. 30, no. 47 (1995), 3001-3013.

16 Center for Financial Accountability, *People's Tribunal,* 2024.

© International Rivers

Jalsindhi protest house where villagers affected by India's Sardar Sarovar Project gathered to resist construction during monsoon flood season.

of people's movements centred on rights, identity, displacement and environmental justice emerge partly in response to the economic reforms and the rising critique of growth, as opposed to people-led development. It was under these conditions that the Narmada Bachao Andolan brought the demand for accountability directly to the World Bank, pushing the Bank to establish the Inspection Panel.[17] While these mechanisms have scope for considerable improvement, their creation reflected an acknowledgement of the harmful consequences of the Bank's intervention and an attempt to embed at least some measure of accountability into its institutional architecture.

## Expanding influence

With more private capital flowing into the country following economic reforms, a new dimension of the Bank's lending and engagement began to emerge. Into the early 2000s, the Bank recalibrated its approach in response to growing resistance and began to move away from financing large scale infrastructure projects towards state-level sectoral reforms and private sector models of development, including the privatisation of state electricity boards[18] and the introduction of 'user charges' under public-private partnerships (PPPs)[19] for water and sanitation. At the same time, the Bank encouraged greater privatisation of other essential services like health and education. In the last two decades, the private sector has come to dominate these sectors in India. This model of development, encouraged by the Bank and the IMF, has allowed the Indian state to dilute its responsibility to provide universal, accessible and affordable basic services and arguably to avoid its legally binding human rights obligations.[20]

The shift in the locus of influence from financing specific projects towards reshaping sectors and institutions also changed how and where accountability could be sought. As implementation moved through various state and non-state actors, the consequences of the Bank's role became difficult to trace. Years later, the Bank consolidated its position as a 'knowledge bank'[21] under its Finance+ approach, where it has played a critical function in shaping national policies through advisory services and technical assistance. Ideas such as asset monetisation and disinvestment through the sale of publicly owned assets to raise money were pushed by the World Bank into Indian policy discourse. Its investment strategy has also evolved towards policy reform linked lending, as seen in Development Policy Loans (DPLs), which tie loans to specific sectoral reforms.[22]

Another visible change has been the growing involvement of the IFC and the increasing mobilisation of capital through private financing. India is IFC's largest client country, with over 250 projects and $8.9 billion in investments across infrastructure, energy, housing, technology and finance. These two shifts, the Bank's expanding role as a knowledge institution and its growing reliance on private financing, are deliberate and mutually reinforcing. Its advisory work has helped restructure India's economy to make it more accessible to markets. It is well established that the IFC's financing model prioritises financial viability over genuine outcomes, with investments designed to minimise risks for lenders and

17 D. B. Hunter, "Reflections on the Launch of the Inspection Panel and People-Reflections on the Launch of the Inspection Panel and People-Centered Accountability", *Perspectives*, 35 (2025).

18 N. K. Dubash and S. C. Rajan, "Power Politics: Process of Power Sector Reform in India", *Economic and Political Weekly*, vol. 36, no. 35 (2001), 3367-3387, 3389-3390.

19 G. Dwivedi, *Public-Private Partnerships in Water Sector: Partnerships or Privatisation?*, Manthan MP, January 20210.

20 E. Toussaint, "The World Bank, the IMF and the respect of human rights", CADTM, 23 October 2024.

21 S. Dharmadhikary, *The World Bank as a Knowledge Producer*, Manthan, 2008.

22 Bretton Woods Project, *What is World Bank Development Policy Financing?*, 23 March 2021.

© Centre for Financial Accountability

Independent People's Tribunal (IPT) on the World Bank @ 80, convened in Kolkata in December 2024.

investors, while the social, economic and environmental costs are borne by the people.[23] For accountability, this has meant that the Bank can continue to exert significant influence through policy advice while increasingly enabling it to distance itself from both direct and indirect harms.

While some of the more recent writing within the World Bank[24] and IMF[25] recognises the limitations of earlier neoliberal measures, these shifts in rhetoric have not led to any break with the underlying neoliberal model of development. This remains evident in the Bank's current Country Partnership Framework for India[26] and its emphasis on private sector driven growth and employment, where the role of the state is defined less by shaping growth choices and more as an instrument to implement regulatory reform and de-risk certain sectors to make them more investible for private capital.

## The accountability question

As the nature of the Bank's intervention has changed, so has the question of accountability. The Finance+ model does not just weaken accountability in practice; it actively reorganises financial flows in ways that systematically diffuse it. The Bank's accountability architecture was built

23 Bretton Woods Observer, *New investigation highlights harms of for-profit healthcare funded by IFC-backed private equity group*, Autumn 2025.

24 I. Gill, "The right way to do industrial policy", *Word Bank Blogs*, 17 March 2026.

25 J. D. Ostry, P. Loungani, and D. Furceri, "Neoliberalism: Oversold?", *Finance & Development*, vol. 53, no. 2 (2016).

26 World Bank Group, *India Country Partnership Framework (CPF) FY2026-2031*, accessed 16 September 2026.

for an earlier iteration of the World Bank – while the Bank has changed, its understanding of accountability has not.

It is important to distinguish between genuine accountability and the role and scope of multilateral development banks' independent accountability mechanisms. The Inspection Panel and the IFC's Compliance Advisor Ombudsman (CAO), at best, respond to complaints concerning direct and identifiable harms linked to specific Bank-financed activities. Their mandates depend on harms being visible, attributable and traceable, which is precisely the conditions that indirect financing, financial intermediation and DPLs obscure. The Inspection Panel cannot initiate an investigation on its own, while the CAO has rarely exercised its limited *suo motu* authority. Proactive accountability is therefore structurally constrained even where harm is serious, foreseeable and widespread.

The Tata Mundra case exemplifies these limitations.[27] After 14 years, and despite damning findings, the CAO closed the case without securing any remedy for fisher communities, who continue to face economic, social and cultural losses, while the IFC and its private partners bear minimal losses and no accountability.[28] Even where accountability mechanisms are available, they are limited to only seeking remedy after harm has occurred, while communities most impacted by these development choices have little meaningful role in planning and making decisions that produce the harm in the first place.

More importantly, this framework is incapable of addressing indirect harms arising from the Bank's wider developmental model. Debt dependency, the consequences of DPL conditionalities, widening inequality, deteriorating labour conditions, the privatisation of essential services and cumulative environmental destruction emerge across multiple loans, advisory interventions, regulatory reforms and private investments over time, placing them beyond the reach of existing mechanisms.

Therefore, the proposed consolidation of the World Bank Group's IAMs[29] must be seen in the context of this widening accountability gap, with the merger proposed at the same time as capital is increasingly privately organised and accountability intentionally obfuscated.[30] The merger is merely administrative and does not address the structural weaknesses of the existing system. Instead, it risks weakening the few avenues currently available to impacted communities. Harmonisation of the IAMs into a single framework risks diluting the positive aspects of the differentiated mandates, procedural strengths and institutional autonomy, reducing both to the lowest common denominator in the name of efficiency thereby serving the Bank's underlying intention of limiting accountability, rather than strengthening it.

Ultimately, the Bank's policies and the accountability debate must be located within its fundamentally unequal structure, where dominant shareholders, largely from the Global North, shape development trajectories in line with their economic and geopolitical interests and those of private investors, forming a part of a wider neo-colonial structure.[31]

Merging two weak, undervalued and overlooked mechanisms into one will not make them stronger or more effective. An effective accountability mechanism requires a clear mandate, adequate power, institutional independence, and sustained political commitment to ensure that it can perform its functions credibly. The question is not just whether the Bank has an accountability mechanism, but whether its accountability framework is able to account for the changing ways in which the Bank exercises power and shapes development outcomes.

27 Centre for Financial Accountability, *The Tata Mundra Case: Communities vs. IFC*, 2025, accessed 16 September 2026.

28 Bretton Woods Observer, *CAO closure of Tata Mundra case sends chilling message to project-affected communities in search of justice*, Winter 2025.

29 World Bank Group, *World Bank Group Boards Strengthen Independent Accountability Mechanisms*, 9 June 2026.

30 D. Schäfer, *World Bank accountability mechanisms merger: The decision is made – now comes the hard part*, in Bretton Woods Observer, Summer 2026.

31 *Ibid*.

# About the authors

**Rodolfo Lahoy**
IBON International

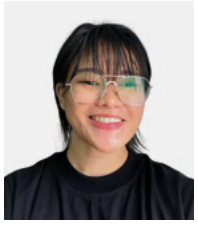
Rodolfo Lahoy is the Deputy Director of IBON International. His work includes the Bretton Woods institutions, development finance, and alternatives to the imperialist economic model and the extractive global financial architecture.

**Iggy Sandrino**
IBON International

Iggy Sandrino is the Policy and Advocacy Coordinator for Industrial Policy of IBON International. His work focuses on initiatives for people-led industrialisation and sovereign economic development. His experience in organising workers and trade unions guides his research and advocacy work.

**Jennifer del Rosario-Malonzo**
IBON International

Jennifer del Rosario-Malonzo is the Executive Director of IBON International. As Director, she has worked extensively on financing for development, including development cooperation and the role of multilateral development banks, from the lens of people's rights and sovereignty.



**Nazareth Del Pilar**
NGO Forum on ADB

Nazareth Del Pilar is the Just Transitions Advocacy Officer at the NGO Forum on ADB. Her work focuses on just energy transition and the development frameworks of major international financial institutions, particularly the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB).

**C.P. Chandrasekhar**
International Development Economics Associates (IDEAs)

C.P. Chandrasekhar is currently Senior Research Fellow at the Political Economy Research Institute, University of Massachusetts, Amherst and Global Director of Research at the International Development Economics Associates (IDEAs). He earlier served as Professor at the Centre for Economic Studies and Planning, and Dean of the School of Social Sciences, Jawaharlal Nehru University. He is a regular economic columnist for *Frontline* (titled *Economic Perspectives*) and *Business Line* (titled *Macroscan*).

**Professor Satyaki Roy**
Institute for Studies in Industrial Development (ISID)

Satyaki Roy is an Associate Proffessor at the Institute for Studies in Industrial Development (ISID), New Delhi. His research focuses on political economy of industrialisation and structural change in the context of late capitalism. His recent work focuses on global production networks and financialisation in developing countries and the value capture from the Global South. He worked on industrial clusters, political economy of informality and technology related issues. He is the author of the book *Contours of Value Capture: India's Neoliberal Path of Industrial Development*, Cambridge University Press.

**Sharanya Nayak**
RITES Forum member of the Asia Pacific Forum on Women, Law and Development

Sharanya Nayak has worked with Adivasi communities of Southern Odisha since 1999 across the central Indian region of Rayagada, Malkangiri, Bastar and Koraput on land, forest, language, inter-generational learning, mining resistance, militarisation and culture. She is a Programme Adviser with RITES Forum (a member of APWLD) and a member of grassroots advocacy networks, such as Indigenous Peoples' Land Life and Knowledge Collective (IPLLK) and Community Network Against Protected Areas (CNAPA). Sharanya has been part of fact-finding missions, people's tribunals and research on militarisation of Adivasi territories and sexual violence as a tool of state repression, fighting against forced evictions for conservation projects, dams and extractive mines.

**Joe Athialy**
Centre for Financial Accountability

Joe Athialy is the Executive Director at the Centre for Financial Accountability, a Delhi-based organization working on issues related to national and international financial and economic policies and institutions. He serves on the boards of Recourse and Focus on the Global South India, and previously at Environment Support Group. Over the years, Joe has played diverse and impactful roles with organizations such as Narmada Bachao Andolan, a mass movement addressing issues related to large hydro projects; National Alliance of People's Movements, a collective of grassroots organizations across India; Amnesty International; and the Bank Information Center. He authored and contributed to numerous articles and reports published in mainstream media and other platforms.

**Asmi Sharma**
Centre for Financial Accountability

Asmi Sharma is a researcher with the Centre for Financial Accountability. She has been working with various rights-based social movements including Jan Sarokar, the National Campaign for Peoples' Right to Information, Financial Accountability Network, and Pension Parishad for the past seven years. Her areas of work and interest include transparency and accountability in governance, political economy of welfare in India, social sector spending, and access to socio-economic justice.

Bretton Woods
PROJECT

Sign up
to our
alerts

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

The Bretton Woods Project is supported by a network of UK NGOs, the C.S. Mott Foundation, the William and Flora Hewlett Foundation, and the Ford Foundation.

Bretton Woods Project
2nd Floor, 1 Easton St.
London, WC1X 0DW
United Kingdom

info@brettonwoodsproject.org
www.brettonwoodsproject.org
@brettonwoodspr
/company/bretton-woods-project