D4 | WATCHING THE INTERNATIONAL FINANCIAL INSTITUTIONS: NEW RHETORIC, OLD PRACTICE?

Introduction

Since early 2020, the world has struggled to respond to the health, social, and economic impacts of the COVID-19 pandemic. Despite the "we are all in this together" rhetoric of political leaders, the reality has been rather different, with the effects of the pandemic and the capacity to respond highly unequal within and between countries. In the UK, data show that COVID-19 impacts mirror those of general trends in health, with deprivation clearly linked to poor outcomes (Marmot and Allen 2020); the same patterns hold true in the USA (Centers for Disease Control 2020) and most other countries. Although the health consequences of SARS-CoV-2 have been less than initially feared in some poorer states (e.g., in the African continent) (Winning 2020), the fact remains that Group of 20 (G20) countries were able to announce stimulus packages of $7.6 trillion (Segal and Gerstel 2020), while poorer countries lacked a similar response capacity. The disparate capacity is evident even within the G20 grouping. Such fiscal inequities translate both directly and indirectly into health inequities, exacerbated further by the global economic downturn caused, in part, by the health measures introduced to contain the spread of the virus. As is now well known, these measures have different impacts on different global and national population groups. Informal workers, migrants, and homeless people, or those who work in the service sector, are generally unable to work from home and are also less resilient to the economic shock brought about by the pandemic. They are also less able to undertake protective measures and are thus at increased danger of exposure to the virus (see Chapter C2). In some cases, it is likely that efforts to reduce the risk of infection from COVID-19 create more immediate health risks than does ignoring recommendations for confinement in order to ensure income and daily sustenance (Alcántara-Ayala et al. 2021).

The world economy was performing badly prior to the pandemic with declining growth rates subsequent to the 2008 global financial crisis (United Nations Conference on Trade and Development 2020). Growth declined for low- and middle-income countries (LMICs, or so-called "developing countries") from 7.9% in 2010 to 3.5% in 2019 (ibid.). The International Monetary Fund (IMF) stressed that the low-income countries "entered the COVID-19 crisis in an already vulnerable position" (Gurara, Fabrizio, and Wiegang 2020), with half of them suffering high public debt levels. Since March 2020, these countries were hit by an exceptional confluence of external shocks: "a sharp contraction in

real exports, lower export prices, especially for oil, less capital and remittances inflows, and reduced tourism receipts" (Gurara, Fabrizio, and Wiegang 2020). They also experienced capital outflows of about $103 billion from January to mid-May 2020 (OECD 2020), as investors retreated to the relative safety of markets in the Global North, thus putting pressure on local currencies and potentially increasing already problematic pre-pandemic debt repayments (Murawski 2020). Future access to capital markets, which in the context of decreased overseas development assistance and insufficient multilateral lending remains an important source of finance, is by no means assured as fears of debt crises remain. The share of foreign debt held by private creditors in low- and lower-middle-income countries rose from 25% in 2010 to 47% in 2018, with asset manager BlackRock holding close to $1 billion of "Eurobonds" in Ghana, Kenya, Nigeria, Senegal, and Zambia through a number of funds (Jubilee Debt Campaign et al. 2020). The IMF considers eight advanced economies at high risk of falling into financial crisis (up from three prior to the pandemic), while the number amongst emerging markets rose from 15 to 35 (Wheatley and Romei 2020).

Despite the depth and extent of the crises triggered by the pandemic, calls made by over 200 organizations for debt cancellation (JDC 2020) to enable countries to focus on adequate response to the health and social crises have gone unanswered. LMICs and their citizens have instead been left to manage with the G20's Debt Service Suspension Initiative (DSSI), which has been criticized for being insufficient and for merely postponing onerous debt servicing rather than addressing underlying debt sustainability and questions about the legitimacy of the debt (Fresnillo 2020). The DSSI, announced by the G20 in April 2020, provides a suspension of principal and interest payments on debt due by the poorest developing countries to bilateral government lenders. While the initial suspension ran to December 2020, it was extended to December 2021 at the April 2021 World Bank (often referred to in this chapter as simply "the Bank") and IMF Spring Meetings. Although 73 countries were deemed eligible for participation in the DSSI, only 43 have taken up the offer, as countries fear the negative impact that doing so would have on their credit ratings and access to the capital markets (Bolton et al. 2020). As underscored in a July 2020 civil society coalition report, "all 73 countries must still repay up to $33.7 billion worth of debt this year, which is $2.8 billion per month. This figure is double the amount that Uganda, Malawi, and Zambia combined spend on their annual health budget" (Oxfam et al. 2020). The publication also stressed that the World Bank's and IMF's refusal to participate in the debt suspension adds to the fiscal pressure on states struggling to cope with the crisis, particularly middle-income countries. Despite continued pressure from civil society and academics, neither institution is participating in the DSSI. The unwillingness of private sector creditors to voluntarily join the DSSI creates additional problems, as resources made available by the DSSI for pandemic response continue to be used instead to service debt to private creditors (Bolton et al. 2020).

It is within this context that discussions about the World Bank and IMF responses to the COVID-19 crisis must be examined, as both institutions remain pivotal in shaping the capacity of states to respond to the urgent health, social, and economic consequences of the pandemic. The current crisis is testing the assertion that they have changed their neoliberal policies and, as some of their rhetoric proclaims, are now enlightened supporters of human rights (Bretton Woods Project 2016).

The past that needs redeeming

Critiques of the negative impact of past IMF and World Bank structural adjustment programs (SAPs) on state capacity to meet their international human rights obligations, including the right to health, have a long history (Skogly 1993). The 1990 United Nations Economic Commission for Africa's (UNECA) "African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation" report stressed that in many cases not only did the promised economic growth fail to materialize, but the implementation of these programs has entailed "significant reduction of expenditures in social sectors, especially education and primary health care, as well as in the size of the public sector and para-statals with negative consequences on employment" (UNECA 1989).

The use of SAPs also raised significant issues about the level of state, and indeed, citizen involvement in their design, as conditions were generally imposed by the Bank and Fund. As noted by Skogly, while Article 21 of the Universal Declaration on Human Rights and Article 25 of the International Covenant on Civil and Political Rights state "that [e]very citizen shall have the right and the opportunity … to take part in the conduct of public affairs, directly or through freely chosen representative" (Skogly 1993), lack of participation of those mostly likely to be negatively impacted by IMF and World Bank programs remains a key constraint in ensuring that the health outcomes of these programs are consistent with human rights law and obligations. This lack of participation in their design historically exacerbated frustrations with the uneven distribution of adjustment costs, contributing to ethnic and other social tensions (Kaiser 1996).

The World Bank and IMF have changed considerably since the days of SAPs, as exemplified by the IMF's questioning in 2016 whether neoliberalism had been oversold (Ostry, Loungani, and Furceri 2016). In 2018, former IMF Managing Director Christine Lagarde highlighted the need for a new multilateralism, noting that it must "be more inclusive – open to diverse views and voices. It must be more people-oriented – putting human needs first. And it must be more effective and accountable – delivering results for all" (Lagarde 2018). The World Bank's adoption of its twin goals in 2013 (reduce global extreme poverty to 3% by 2030 and share prosperity by fostering income growth of the bottom 40% of the population) also demonstrated a change. While the second goal has been criticized for ignoring the important relationship of relative income growth

between the bottom 40% and the top 10% of the population (Galasso 2015), it does represent an acknowledgement by the World Bank that the distribution of benefits of economic growth matters.

But not so fast: enter the Human Capital Project

In 2018, noting that "Governments have long invested in economic growth by focusing on physical capital … But … often under-invested in their people" (World Bank Group 2018), the World Bank announced its new Human Capital Project (HCP). The HCP is accompanied by a Human Capital Index (modeled on the much-criticized "Ease of doing business report"[1]) (Ortiz and Baunach 2020) and has three principal objectives: "first, to build demand for more and better investments in people; second, to help countries strengthen their human capital strategies and investments for rapid improvements in outcomes; and third, to improve how we measure human capital" (World Bank Group 2018). Perhaps sensitive to long-standing critiques of the institution's role in undermining public services such as health and education (Stubbs and Kentikelenis 2017), the World Bank has sought to present the index as a progressive development tool with potentially wide appeal to those concerned with improvements in health and education outcomes.

The concept and initiative, however, are not without detractors. Human capital theory itself has been criticized for its commodification of people underlying the notion of "capitalizable humans" and its disregard for structural constraints inherent in the development of effective health and education programs (Allais 2012). Related social capital theories, in turn, "tend to reduce complex conflictual and contextual economic and social phenomena to more or less (im)perfectly working markets" (Fine 2010). Further, the Bank's HCP coheres closely with its International Finance Corporation (IFC) Strategy 3.0, "Creating Markets" (IFC 2019), and the Bank's 2017 "Maximizing Finance for Development" (MFD) paradigm (Brunswijck 2019). The HCP, IFC 3.0, and MFD are complementary efforts by the Bank to push market-based solutions to complex social and class issues. They present health and education as necessary "investments" in the "capital" of individuals and families and define the state's role as maximizing human capital's value in domestic or international markets. This creates a discourse that instrumentalizes the concept, isolating it from considerations of structural issues, human rights, and state obligations. This is unsurprising given that the World Bank and IMF have historically energetically rejected efforts to integrate a human rights perspective into their consideration and operations (OHCHR 2017).

Old wine, new bottle?

Hopes that the pandemic and its devastating impacts would bring about a radical reformulation of World Bank and IMF policies have thus far been dashed. IFC Interim Managing Director and Executive Vice President Stephanie von

Friedeburg left this in little doubt when she stressed, during the virtual townhall meeting with civil society organizations during the 2020 IMF and World Bank joint Annual Meetings, that efforts to "maximize finance for development" through energetic support for the private sector – including in the social service sectors – is "potentially more important now than ever," adding, "it is the right approach so we will continue to push" (von Friedeburg 2020). Referring to the World Bank's budget support through its policy finance lending, which is premised on compliance with "prior conditions," that is, conditionalities, such as "enhancing the role of the private sector" through privatizations and targeting of social protection spending (Brunswijck 2019), Von Friedeburg stressed that the Bank would use the leverage created by this instrument, regardless of the context created by the pandemic, to "increase the role of the private sector" and to "pull private capital back to emerging markets" (von Friedeburg 2020). These statements seem to contradict the Bank's HCP and indeed the discourse prevalent at the 2020 World Bank and IMF Annual Meetings, where "investing in people" received a great deal of attention. The expansion of IFC investments, with support from World Bank Group policies aimed at creating a business-friendly environment with a strong focus on deregulation, seems hardly surprising given the potential financial benefits of this strategy for IFC (which receives payments on its loans) and its clients (who benefit financially from the businesses the IFC finances). IFC-financed healthcare companies, for example, report having 142 million healthcare users, with the IFC aiming to increase this number eightfold by 2030; and health is one of the IFC's best performing sectors in terms of returns on investment (Hunter and Murray 2019). In that regard, concerns have been raised by IFC's reliance on profitable investments in middle-income countries to safeguard its own credit rating and subsidize its activities in riskier low-income settings (Kenny, Kalow, and Ramachandran n.d.). Questions about the degree to which the IFC's investments have had a positive development within the context of the Bank's response to the COVID-19 pandemic have also been raised by an April 2021 report by the European Network on Debt and Development (Eurodad) (Bayliss and Romero 2021).

The IFC and the World Bank Group's support of the financialization of the health sector is consistent with what Gabor has termed the Wall Street Consensus (Gabor 2020), in which the state transitions from its role of addressing market failures under the post-Washington Consensus,[2] to de-risking private investments in increasingly uncertain times, such as a worldwide pandemic. According to Gabor:

> Across Sub Saharan Africa, 50% of healthcare is provided by the private sector, with financing provided by investment platforms and fund managers promoting the development of healthcare asset classes. Enter digital healthcare, with its promise of better diagnostics through advanced technologies, and a complex ecosystem ripe for 'health as an asset class' initiatives. (ibid.) (see Chapter B2)

In a note particularly relevant in the light of the economic crises triggered by the COVID-19 pandemic, Gabor stresses that fiscal constraints are used to justify the "crowding in" of private investments by the creation of the above-mentioned new asset classes. These include health bonds, of which the World Bank's ill-fated Pandemic Emergency Financing Facility (PEF) bond is an example. The high-profile pandemic bond was so heavily criticized that the World Bank decided not to launch a second round. Former World Bank economist Olga Jonas from the Harvard Global Health Institute had in fact argued that PEF's design "waits for people to die" (McVeigh 2020).

Box D4.1: Pandemic bonds and the COVID-19 pandemic

The World Bank's "pandemic bonds" form part of its PEF, which was created in response to the difficulty in financing the response to the 2014 Ebola crisis (World Bank Group 2020b). The PEF aims to provide emergency funding to the poorest countries during pandemics. PEF has two components, the cash window and the insurance window. The cash window provides financial assistance for diseases not covered by the insurance window, or for immediate use before the approved funding is released from the insurance window.

The pandemic bonds are issued for the specific purpose of financing a response to specified pandemic events. Bondholders receive a high premium at beginning and are guaranteed a very high fixed interest. If the specific pandemic conditions fail to materialize prior to the bond's maturity date, all the principle is returned to the bondholder. If the bond is triggered by a pandemic and the funds provided by the bond's principle are used in the response, the bondholder loses the used portion of the principle. The World Bank issued $320 million of pandemic bonds in 2017 (Hodgson 2020). According to the World Bank, "as of September 30, 2020, the entire $195.84 million COVID-19 insurance payout has been transferred to support COVID-19 responses in 64 countries" (World Bank Group 2020b).

While some of the resources from the bonds were eventually made available, the structure was widely criticized as ineffective due to its restrictive criteria for triggering use of the funds and the complex systems used to assess whether the criteria had been met. Even as it became evident that the pandemic was quickly spreading in early 2020, it was unclear whether the conditions would be triggered to allow the disbursement of desperately needed resources. "The coronavirus had killed almost 150,000 people in dozens of countries before the casualty rates aligned with the 'exponential growth' requirement set out in the bond prospectus" (Alloway and Vossos 2020). It was only more than five weeks after the World Health Organization

(WHO) declared a global pandemic that the independent arbiter tasked with determining whether the criteria had been met issued a report confirming that to be the case, allowing the disbursement of $195.8 million from the cash and insurance windows (World Bank Group 2020b).

The scheme is also expensive, with the bondholders paid high interest and premia. Investors eventually earned $95 million from interest payments of 6.5% and 11.1% on the two classes of bonds, similar to rates paid for "junk bonds" (ibid.). As Olga Jones, senior fellow at Harvard Global Health Institute who had previously worked at the Bank, noted, the Bank has access to its own development assistance resources and did not have to resort to paying high interest rates to ensure a rapid response to the pandemic (ibid.).

Questions about the effectiveness of the pandemic bonds predate the COVID-19 pandemic. The bonds failed to pay during the 2018 Ebola outbreak, which caused at least 1,800 deaths while payments to investors continued (Jonas 2019). Analysis by the London School of Economics determined that the bonds would have only released funds on two occasions since 2006, leading its authors to note that the scheme seems "to be serving private investor interests more than contributing to global health security" (Bretton Woods Project 2020).

Public–private partnerships (PPPs) are not the answer

Where market discipline lives up to its name in disciplining the behavior of "emerging markets" (witness the unwillingness of countries struggling to respond to the pandemic to take up the G20's offer of debt payment suspension), states were under pressure even prior to the pandemic to show fiscal constraint. PPPs[3] are another modality presented as a win-win, where states could benefit from the presumed superior knowledge, technology, and efficiency of the private sector by "merely" entering into "risk-sharing" agreements. As the IFC highlights, "more than half of the global population resides in emerging markets, where governments are under pressure to expand health services and coverage [and where] PPPs are one mechanism to help overcome financing gaps and budget constraints that limit investments" (Stucke 2019). Unsurprisingly, as a recent report documented, "89% of World Bank [post-COVID-19] projects do not plan to support any action to remove financial barriers, including user fees, that exclude millions from lifesaving care; and two-thirds lack any plans to increase the number of healthcare workers" (Oxfam International 2020).

The World Bank's push for PPPs has been heavily criticized. Civil society has mobilized around a PPP manifesto which calls upon the World Bank, among other entities, to declare a moratorium "on funding, promoting or providing technical assessment for PPPs until an independent review into the development

outcomes of the Bank's PPP portfolio is completed" (Romero 2018). While the case of the Lesotho hospital PPP project became emblematic of the arrangement's risks, with more than half the country's entire health budget (51%) being spent on payments to the private partners (Boseley 2014) (see *Global Health Watch 5*, Chapter B5), the problems with PPPs run much deeper. The UK's National Audit Office (NAO 2018) and the European Court of Auditors (European Court of Auditors 2018) both criticized PPP arrangements for their high costs and limited benefits in both contexts. The negative experiences of PPPs in states with well-developed administrative and legal capacities should give pause to those advocating similar arrangements in countries with more limited capacity. The impact of the pandemic on government resources alongside the World Bank's commitment to integrate its "Maximizing Finance for Development" (MFD) approach in its pandemic response programs raise the possibility that heavily indebted and fiscally constrained governments will turn to PPPs to bypass their fiscal constraints. Because PPP contracts do not require upfront expenditures, they can be very attractive to debt-strapped governments. They can be seen as free money, as in many cases the liabilities are not recorded as debt (nor debated in parliament) and, therefore, also are not necessarily included in debt profiles – quite an enticing possibility in the current environment in which high debt levels and limited market access are the norm for many LMICs. The lack of transparency in PPP contracts and the way such contracts are registered, however, exposes states to the possibility of significant "hidden" contingent liabilities. They are not the win-win proponents promote, unless one happens to be one of the private partners expecting a relatively risk-free return on capital (Dolack 2021).

The World Bank does highlight the need to supplement weak state capacity to oversee and manage delivery of essential social services with private sector "partnerships," but it appears to dramatically underestimate the high levels of state capacity required to negotiate and manage complex PPP projects. To address the complexity of PPP contracts – if not the inherent power imbalances between the parties – the Bank developed a Guidance on PPP Contractual Provisions. The Heinrich Böll Foundation commissioned a study of the 2017 Guidance "to determine whether the contractual provisions recommended by the World Bank Group achieve an appropriate balance between contracting parties, and adhere to common practices and international law" (Aizawa 2017). The review found that "the Guidance does not take an equitable approach to balancing public and private interests" (ibid.). It notes that the Guidance recommends, in contradiction to international jurisprudence, "that the risks of war, civil strife, strikes, riots, and terrorism be placed on the Contracting Authority, which could require that the government compensate the private partner." Crucially, the Guidance also recommends restrictions on "the right of sovereign governments to regulate in the public interest (e.g., to provide universal, affordable infrastructure services; reduce greenhouse gas emissions in keeping with obligations under the Paris Agreement; or protect labor and

human rights) by recommending that governments protect private partners against costs of compliance with changes in law" (ibid.).

The continuing threat of investor-state disputes

There is also the threat of suits against governments launched by private foreign investors under one of the 800+ bilateral or regional investment treaties still in force globally. The World Bank-hosted International Centre for Settlement of Investor Disputes (ICSID) is the principal arbitration forum for disputes brought by investors against states through the system of investor-state dispute settlement (ISDS) (Bretton Woods Project 2020). An open letter to governments signed by over 650 international civil society organizations called for a suspension of all ISDS cases during the pandemic (S2B network 2020). In arguing for the suspension, the letter detailed a series of state actions in response to the health and economic consequences of the pandemic that could give rise to a suit, including: securing resources for health systems by requisitioning use of private hospital facilities, putting private healthcare providers under public control, requiring manufacturers to produce ventilators, ensuring access to clean water for handwashing and sanitation by freezing utility bills and suspending disconnections, ensuring medicines, tests and vaccines are affordable, and undertaking debt restructuring (ibid.). The potential impacts of ISDS cases in the context of the COVID-19 pandemic are so significant that the African Union Trade Ministers of Trade adopted a landmark Declaration on the Risk of Investor-State Dispute Settlement with respect to COVID-19 related measures in November 2020 in an effort to secure policy space (Maina and Nikiema 2021; see also Chapter D2).

The perils of the World Bank's MFD approach and its conceptualization of the private sector as a trustworthy "development partner" becomes evident when one considers that, as of May 2020 and while amid the pandemic:

> … there are currently over 260 [ICSID] cases pending against African States … compared to 135 cases in May 2017. It is anticipated that many more arbitrations will be commenced in the months to come. This is especially important when considering that in the case of ICSID arbitrations alone, more than half of claims commenced against African States have resulted in a final award, and more than half of those cases have resulted in an award of full or partial damages against the State. (Goddard 2020)

The links with World Bank-supported PPPs and the structure of the contractual agreements developed by the above-mentioned Guidance note become that much more concerning.

What are the international financial institutions offering to pandemic-afflicted countries?

The World Bank has allocated $12 billion to assist LMICs to "finance the purchase and distribution of COVID-19 vaccines, tests, and treatments for their

citizens" (World Bank Group 2020a), although the funding is outside of the WHO-led multilateral COVAX facility similarly working to provide access for eligible LMICs. The World Bank has further pledged $160 billion in financial support, including a high proportion of loans to already heavily indebted countries "to help developing countries fight the COVID-19 pandemic" (World Bank Group 2020a). The impact of these loans and grants under the International Development Association (IDA), the World Bank's concessional lending and granting arm for low-income countries, will vary greatly across recipient countries.

While the World Bank's $12 billion in support for the purchase of vaccines and contributions to the assessment and development of national vaccination plans has been welcomed, the Bank has been criticized for its unwillingness to support a call by over 100 countries from the Global South at the World Trade Organization (WTO) for a waiver of some aspects of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The proposal at the WTO, which is opposed by an alliance of countries from the Global North, argues that the waiver would be imperative to enable the production and distribution of COVID-19 vaccines in the Global South and to begin to address the great inequity in the distribution of vaccines worldwide, with nine of ten people in the poorest countries "set to miss out on the vaccine this year" (Bretton Woods Project 2021; see Chapter B4). The Bank's wider COVID-19 response has also been criticized. In December 2020, Oxfam released a report that concluded that the Bank's pandemic response suffers from a "fatal flaw," as "just 8 of the 71 World Bank COVID-19 health projects include any plans to remove financial barriers to accessing health services … [and] none of the 8 specify that fee waivers will cover all health services as the WHO recommends" (Oxfam International 2020). The Oxfam report underscored that, despite a pre-existing global shortage of 17.4 million health workers, "two-thirds of country projects do not include any plans to increase the number of health workers, and that the 25 projects which do, have substantial shortcomings" (ibid.).

The World Bank's response through the IFC was also brought into question by an April 2021 analysis by Eurodad that found its response to the pandemic was in keeping with its MFD approach, and that "the IFC, with its emphasis on creating markets and mobilizing private finance, has a prominent position at all stages of the Covid-19 response … including in health, suggesting that private markets will be prioritized over equitable public services" (Bayliss and Romero 2021). The report also notes that long-standing criticisms of the limited extent to which IFC investments benefit local business are transferable to the IFC's role in the COVID-19 response, stressing that "rather than supporting local private enterprises, some IFC projects have provided finance to global chains of hotels, large conglomerates, subsidiaries of international companies and international private health providers" (ibid.).

The question of the institution's impact on the COVID-19 response, however, must be considered from a systemic as well as country-specific framework that considers the extent to which responses to the pandemic are constrained

by prior World Bank and IMF policies and the structures of their proposed medium-term programs.

The IMF's reaction to the pandemic, particularly in terms of its rhetoric, continues the trend of presenting a softer, kindlier IMF begun under its previous Managing Director, Christine Lagarde, who stated in a speech in Latin America: "This is certainly not your grandmother's IMF" (Lagarde 2014). In a speech on October 15, 2020, IMF Managing Director Kristalina Georgieva outlined three imperatives to address the COVID-19 pandemic: designing "the right policies," ensuring that policies are "for the people," and that the world must no longer disregard climate change, stressing that there is no "one size fits all solution" (Georgieva 2020a; 2020b). She has also spoken about the threat posed by rising inequality warning that, "without urgent action, we risk deepening the divide – globally – between the rich and poor … It risks reverberating throughout the world with increased inequality leading to economic and social upheaval: a lost generation in the 2020s whose after-effects will be felt for decades to come" (Georgieva 2020a). In May 2020, the IMF released a report that questioned the alleged benefits of financial deepening, highlighting how the fast-paced expansion of financial markets can result in instability and noting that "regulatory policies have a role to play in reining in excessive growth of the financial sector" (Čihák and Sahay 2020).

Critics of the disequalizing health and economic impacts of past IMF programs find that, in visionary statements at least, the Fund's response to the pandemic seems different and that its "emergency programs grant the majority of countries the flexibility to get their own houses in order without onerous oversight and conditionality" (Gallagher 2020). Separate research by Eurodad and Oxfam, however, provide ample reason to temper the initial optimistic assessment. The Eurodad study released in October 2020 found that, of the 80 IMF country staff reports reviewed, "72 countries that have received IMF financing are projected to begin a process of fiscal consolidation as early as 2021. Tax increases and expenditure cuts are to be implemented in all 80 countries by 2023" (Munevar 2020). The report calculates that consolidation will be front-loaded, will impact the most vulnerable, and that the 72 countries "will implement austerity measures worth on average 3.8 per cent of Gross Domestic Product (GDP) between 2021 and 2023." The Oxfam study reached similarly alarming conclusions. While it acknowledges that emergency response funds have been "free of policy reform requirements" (Daar and Tamale 2020) and have focused on meeting urgent health and social protection needs, its findings support those of Eurodad. Its review of IMF loans found that fiscal consolidation measures were being promoted in 84% of the loans across 67 countries, despite an open letter call to IMF Managing Director, Kristalina Georgieva, signed by over 500 academics and civil society organizations, calling for an end to such requirements (see Chapter C1 for a more detailed account of the pandemic's re-birth of austerity measures).

Conclusion

The evidence thus far indicates that, despite some cosmetic and rhetorical changes, the IMF and World Bank remain substantively unwilling or unable to significantly alter their approach. As UNCTAD's (United Nations Conference on Trade and Development) September 2020 Trade and Development Report noted with reference to the pandemic, "multilateralism has struggled to adapt and reforms, while regularly promised, have been resisted by the strongest players" (UNCTAD 2020). As Gabor's Wall Street Consensus thesis stresses, the "strongest players" now very much include financial capital, as has been vividly demonstrated by the G20's inability to compel private finance to participate in the (obviously inadequate) DSSI during the worst pandemic and global economic crisis in a century. The UNCTAD report further underscores how "the language of 'free trade' has been captured by big banks and multinational corporations to push for 'deeper integration' that justifies efforts to rewrite the rules of standard-setting and intellectual property protection and reducing the regulatory reach and policy space available to democratically elected governments" (ibid.).

While many had noted at the start of the pandemic that a silver lining could emerge from the crisis in the shape of an increased acceptance of the essential role of the state, the opposite could also be the case as the pandemic's economic fallout challenges states already severely fiscally constrained. This dynamic appears disturbingly likely, given the above-mentioned policies supported by the World Bank and the IMF, particularly as they relate to fiscal constraints and erosion of state capacity in the medium term. The toxic mix of a slow and uneven economic recovery coupled with anger over the devastating economic impact of state public health responses to the pandemic can have long-lasting consequences for the already fragile social contract between the state and its citizens.

The IMF raised the possibility of civil unrest in its April 2020 Fiscal Monitor report; that "countries could be vulnerable to new waves of social unrest, for example, if support measures are seen as insufficient to mitigate the COVID-19 crisis and its economic fallout, or as unfair by favoring the wealthy, or when those measures are later withdrawn" (IMF 2020). The April caution was repeated in December 2020, that "based on this historical trend, the COVID-19 pandemic could pose a threat to the social fabric in many countries" (Sedik and Xu 2020). These dire warnings echo research by Verisk Maplecroft, which, before the pandemic, found that, "the number of countries rated extreme risk in the Civil Unrest Index … jumped by 66.7%; from 12 in 2019 to 20 by early 2020" (Hribernik and Haynes 2020). In a December 2020 update, the consultancy firm projected that "75 countries will likely experience an increase in protests by late 2022 … We expect the surge in instability to take place against a backdrop of a painful post-pandemic economic recovery that will likely inflame existing public dissatisfaction with governments" (Campbell and Hribernik 2020).

Just prior to the pandemic, a January 2020 study underscored that "across the planet – from Europe to Africa, as well as Asia, Australasia, both Americas and the Middle East – the share of individuals who say they are 'dissatisfied' with democracy has jumped significantly since the mid-1990s: from 47.9% to 57.5%" (Lewsey 2020). This is likely to worsen as the pandemic persists. The recently ended Trump presidency, and the emboldened rule of autocrats worldwide, will only hasten a democratic tailspin, without concerted civil society activism. The present trajectory of IMF and the World Bank programming must be far bolder and more ambitious in heeding the growing calls for a system change that is able to deliver more equitable, ecologically sustainable developmental outcomes. Otherwise, it will find itself continuing to defend and promulgate an economic system that is increasingly unjust, unsustainable, and unstable.

Notes

1 The World Bank's "Ease of doing business report" and related Doing Business index have been heavily criticized for promoting a regulatory "race to the bottom" as countries compete to move up the rankings by demonstrating their willingness to easy labor and environmental regulatory "burdens" (see Flora Sonkin and Bhumika Muchhala, "It's Time for the World Bank to Scrap its Doing Business Rankings," Aljazeera, April 22, 2021. https://www.aljazeera.com/opinions/2021/4/22/its-time-for-the-world-bank-to-scrap-its-doing-business-rankings).

2 The Washington Consensus (WC) which emerged in the early 1980s represented a significant shift from previous development models premised on a pivotal role of the state in the economy. In contrast, the WC assumed the primacy of the market as the driver of development and growth and criticized a claimed inefficiency of the state. This belief led to a drive toward liberalization of financial markets, privatizations, and a focus on enabling policies to attract foreign investment, as development was seen to result from the provision of the "correct" incentives to the market. The post-Washington Consensus arose out of frustrations with the WC and acknowledged that markets worked imperfectly, that "institutions matter," and that the state therefore had an important role in creating the necessary conditions to growth by addressing market failures. See Alfredo Saad-Filho, "Growth, Poverty and Inequality: From Washington Consensus to Inclusive Growth," DESA Working Paper No. 100 ST/ESA/2010/DWP/100, UN Department of Economic and Social Affairs, 2010. https://www.un.org/esa/desa/papers/2010/wp100_2010.pdf.

3 The World Bank in its 2017 Guidance on PPP Contractual Provisions defines a PPP project as a project which is the subject of a PPP contract. A PPP contract is defined as the long-term agreement between the Contracting Authority and the Private Partner, for providing a public asset or service, in which the Private Partner bears significant risk and management responsibility, and remuneration is linked to performance. See https://ppp.worldbank.org/public-private-partnership/library/guidance-ppp-contractual-provisions-2017-edition.

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