Position Paper on the World Bank and IMF annual meetings: the same approaches will yield the same results

The Centre for Social Sciences Research and Action

Abstract

Each year, the International Monetary Fund (IMF) and the World Bank Group (WB) convene a meeting in a selected country, bringing together government officials, academics, and civil society organisations to evaluate the performance of the IMF and WB and deliberate on future prospects. This position paper looks back on these annual meetings, including main axes of discussion and the response form civil society groups.

Keywords: Socio-economic reforms, International Monetary Fund, World Bank, International Financial Institutions, Social Justice

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Each year, the International Monetary Fund (IMF) and the World Bank Group (WB) convene a meeting in a selected country, bringing together government officials, academics, and civil society organisations to evaluate the performance of the IMF and WB and deliberate on future prospects.

This year, these meetings[1] occurred against the backdrop of increasing global challenges. Years of austerity measures mandated by the IMF and WB have led to the erosion of universal social protection schemes in favour of programmes targeting the most impoverished, rendering societies ill-prepared to address the COVID-19 pandemic, rising inflation, or the Russo-Ukrainian war and its disruption of food and energy supply chains. At the outskirts of the meetings were also natural disasters, such as the Marrakech earthquake and the collapse of the Libyan Derna dam that resulted in the death of around 3,000 and 4,000 people respectively, and more recently, the Israeli aggression on Gaza. In this context, this year's annual meetings were promoted as a platform to address many pressing issues such as record-high debt burdens in lower and lower-middle-income countries, rising inequalities, and the pressing need for climate action. Against this background, and for many civil society representatives and experts, social security and protection are of the utmost importance and necessity to protect against manmade or natural disasters and crises.

In order to address the issue of staggering levels of public debt leading, in turn, to more financial resources being put into debt servicing rather than social policies, notably social protection and climate action,[2] a proposal for public debt cancellation was put forward by civil society organisations at the meetings. Debt cancellation is historically a long-standing demand by civil society organisations particularly those from the Global South. This demand was met by the IMF's Deputy Director of the Strategy, Policy, and Review Department, Guillaume Chabert, recommending that more regressive taxes be imposed on domestic populations, which places an increased burden on the poor and would fail to reinvigorate the Global South economies still stagnating since the COVID-19 pandemic.[3] It is noteworthy to underline that the sustainability of social protection programmes relies on disentangling public finance from debt servicing commitments. Moreover, achieving economic recovery is essential and requires the infusion of capital injections instead of further straining already limited resources in struggling economies.

Another salient point from these meetings was the persistence of the IMF to champion austerity measures, albeit coining a new term "fiscal tightening" to limit debt-to-GDP ratios. The use of new terminology, previously austerity, then fiscal consolidation, and now fiscal tightening all relate back to the traditional IMF recommendation of curtailing public expenditure. While “fiscal consolidation” refers broadly to reducing debt by cutting public spending or increasing revenues, it is often the corollary of conditionalities that impose cuts on public expenditures, raise taxation, specifically burdening individuals and households with low income, and most importantly contribute to eroding existing social rights of the population, and oftentimes embryonic social contracts, notably in the Global South.

This was further corroborated by the Fund reiterating its commitment to poverty-targeted "social spending floors". Social spending floors (not to be confused with the International Labour Organization (ILO) social protection floors) set a minimum amount a country is expected to spend on specified social programs and “social safety nets”. The latter is the catch-all term the IMF and World Bank use to refer to tax-financed social assistance to “targeted poor and vulnerable people”. Typically, social safety nets do not constitute a basis for rights-based universal and inclusive social security rights. While these social spending floors may protect specified social programmes from spending cuts as part of fiscal consolidation, they also aim at “mitigating” the social impact of structural programme adjustments. From this perspective, they can be considered as a recognition of the social impact of such programmes.

This further underscored the unswerving support of the Bretton Woods Institutions for targeted programmes. Poverty targeting does not only adopt a narrow approach in its definition of poverty but has also proven to be ineffective in alleviating poverty.[4] Lastly, these measures have contributed to triggering social unrest and popular contestation movements in the MENA region, notably Jordan, Egypt, and Tunisia since their implementation in the 1980s.[5] It also signals an attachment to a faulty mechanism of gauging social protection as the IMF’s spending floors have been found to be ambiguous and inconsistent.[6]

In response to the compounding global crises, the WB announced its endorsement of a new mission and vision claiming it aimed at creating a world free from poverty while ensuring environmental sustainability.[7] However, the Bank’s continued reliance on the “Cascade approach” to achieve these goals is concerning.[8] Launched in 2017, this approach prioritises private sector resources over public funds, by providing the private sector with guarantees and incentives to partake in public interest projects. This strategy tends to oversimplify complex social, economic, and political contexts by proposing one-size-fits-all solutions, it curtails the state’s oversight and promotes undemocratic practices by delegating public matters to financiers. It has also consistently failed in mobilising private finance as it does not acknowledge that profit-driven private investments may not align with the public interest, social protection objectives, nor with green economic transformation goals, and can even lead to adverse economic and social consequences.[9]

The WB vision persists in claiming to “ensure access to cash and ownership of assets” through the implementation of cash transfer programmes. Despite announcing a new vision, the Bank is still resorting to the same programmes and methodologies it has adopted for years, and lifting subsidies in countries it is involved in, such as Tunisia, Egypt, and Lebanon. On the one hand, subsidies tend to be regressive in nature, disproportionately benefitting higher-income individuals or businesses. On the other hand, however, cash transfer programmes systematically exclude between 46% and 96% of their target populations, notably marginalised groups, which contributes to social divisions and unrest.[10] Indeed, targeting conditionality may unintentionally create perverse incentives and opportunities for abuse of power by certain groups or notables, particularly by those responsible for monitoring and enforcing conditions, further exacerbating power inequalities. They can also further marginalise those most vulnerable to poverty and deprivation, as they also may be those least likely to be able to comply with conditions due to distance, disability, discrimination, or language barriers. Cash transfer poverty-targeting programmes have not only proven to be ineffective in alleviating poverty but have also exacerbated inequalities in poorer countries by failing to enhance the purchasing power of the poor or promote economic growth as accompanying austerity measures and policies of economic liberalisation contribute to further precarity and deteriorating living conditions[11]. Moreover, these targeting approaches do not constitute grounds for rights and can be utilised by political actors to further clientelistic relations and networks as social contracts are weakened.

Although the Annual Meetings make space for panels with civil society actors, the routine absence of IMF and WB representatives on various discussion panels signalled their refusal to engage in constructive dialogue with civil society actors and experts. When staff did participate, they often refused to engage with civil society representatives on critical questions about the institutions’ unwavering economic orthodoxy, relying on technical jargon and mere macroeconomic indicators to dismiss civil society representatives’ questions.

Nonetheless, civil society organisations persevered and organised a diverse range of events, including discussion panels, protests, marches, and people’s tribunals which ran in parallel to the Annual Meetings. These activities consistently underscored the need for universal social protection, advocating for a shift away from targeted poverty alleviation schemes. Moreover, and concomitantly to the meetings, the Global Counter-Summit of Social Movements gathered 60 organisations and a dozen international networks to denounce in a joint statement the IMF and WB’s debt and austerity policies and call for the unconditional cancellation of debts.[12] In spite of this participation within the “civil society policy forum”on the one hand, and on the other, the organisation counter-summit (after a far from smooth coordination process that led to the exclusion of many organisations from the Global South), this event illustrates the need for more concerted civil society efforts towards enhanced coordination. Improved coordination, inclusivity, and greater proactivity among civil society organisations may offer the potential to lay the groundwork for alternative institutions in the Global South, as international financial institutions continue to prove they are only amenable to rhetorical change.

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