Primer on the International Monetary Fund and the World Bank Group

Asia Pacific Research Network

Primer on the International Monetary Fund and the World Bank Group, 2018

The International Monetary Fund and World Bank Group meet each autumn in what is officially known as the Annual Meetings of the International Monetary Fund and the World Bank Group and each spring in the Spring Meetings of the International Monetary Fund and the World Bank Group. The annual meetings are traditionally held in Washington, D.C., United States for two consecutive years, and in another member country in the third year. This year's annual meeting will be on Oct. 12 to 14 and will take place in Bali Nusa Dua, Indonesia.

These meetings bring together central bankers, ministers of finance and development, private sector executives, civil society, media and academics to discuss issues of global concern, including the world economic outlook, global financial stability, poverty eradication, employment, aid and climate change.

Since the mid-1990s, the IMF-World Bank Group meetings have become rallying points for peoples' movements and civil society challenging the development narrative that these international financial giants have modeled societies the world over.

There have been complete bans on protests in the 2003 meetings in Dubai, United Arab Emirates as well as the 2006 meeting in Singapore, where only indoor demonstrations within a designated area is permitted. Some argue that such bans are out of safety concerns, while others consider them an effort to curb dissent.

Peoples' movements and civil society have taken to task the IMF and World Bank Group for holding meetings in venues that are prohibitive to the exercise of peoples' right to protest.

The IMF-World Bank Group meeting in Bali, Indonesia comes at a moment of an imminent financial crisis, soaring global debt and global interest rates, declining profitability, and flaming trade wars. At the receiving end of the crisis are the developing and poor countries.
Analysts have pointed to signs of international capital flowing out of emerging economies as home currencies continue to depreciate in value.

In August 2018, Turkey saw inflation rates ballooning to 18 per cent a 15-year high fueled by a collapse in the Turkish lira, which lost nearly 40 per cent of its value after US President Donald Trump announced a doubling of steel and aluminum tariffs against Turkey and Turkey responded with tariffs against American imports into the country.

Argentina's Central Bank has increased interest rates to 60% as the currency collapses. Investors are increasingly concerned Latin America's third-largest economy could soon default as it struggles to repay heavy government borrowing. The neoliberal government of Mauricio Macri is readying a new set of austerity measures such as taxes on grain exports and downsizing government offices in exchange for a $50 billion from the IMF.

In Indonesia, the country's central bank is preparing measures to boost rupiah, amid aggravating external factors such as the depreciation of Turkish lira, the trade war between US and China, as well as the devaluation of the yuan.

The US and China have recently fired the opening salvos of what could become a full-blown trade war between the world's two largest economies. The Trump administration imposed sweeping tariffs on $34 billion worth of Chinese goods such as flat-screened televisions, aircraft parts, and medical devices, while China retaliated by imposing the same amount of tariffs on US goods including soybeans, automobiles, and lobsters.

Fallout effects are already manifesting. In June, the U.N. Conference on Trade and Development (UNCTAD) reported that growth in FDI around the globe is on the decline. Global FDI flows fell by 23 percent in 2017, to $1.43 trillion from $1.87 trillion a year earlier. Flows to developed economies dropped by one-third, while investment into the United States fell by 40 percent, to $275 billion from $457 billion in 2016.

While the crisis is threatening the functioning of the global capitalist system, this does not immediately spell its demise. In fact, history is replete with instances where crises served to reorganize the system, destroying capital but also regenerating conditions for a fresh round of profit accumulation. Finance capital, the primary culprit behind the 2008 financial meltdown and its consequences, regained its losses, and the corporations were boosted by unprecedented levels of money printing and bailout of financial institutions such as the IMF and World Bank using public funds.

These measures have only postponed the crumbling of the system but did not lead to capitalism's recovery. There was no expansion of the real economy. In the major capitalist economies, economic growth (real GDP growth) has averaged around 2% annually. In emerging economies, average growth rates also declined. In the 3rd quarter of 2017, the total debt of G7 countries was around USD 100 trillion. Together, the US, the UK, Canada, Japan and the Eurozone make up for 64% of the world total debt. According to the International Institute of Finance (IIF), the international research body of major multi-national banks, global debt (including financial sector debt) has reached $247 trillion, nearly 250% of world GDP.

The extended crisis can only mean devastation for the world's exploited and oppressed peoples. Corporations and international financial institutions are strategically waging a war against workers, indigenous peoples, urban and rural poor, and women to grab resources, corporatize development, and further accumulate wealth.

In March 2017, the World Bank Group unveiled its Maximizing Finance for Development document that set out the Bank's long-term vision, focusing on 'crowding in' private sector money and 'creating new markets'. The document built on the Billions to Trillions strategy of six multilateral development banks and the IMF in 2015 that sought to mobilize billions in official development assistance to leverage trillions from the private sectors. In 2018, the World Bank released two World Development Reports titled Learning to Realize Education's Promise which focused on promoting private investments in education and "The Changing Nature of Work" which made the case for labor flexibilization and universal basic income as opposed to minimum wage.

There's no mistake on who stands to benefit and lose big time from these new schemes of IMF and World Bank. These two institutions throughout their checkered history have always worked in tandem in to rescue imperialist countries and their big corporations and their compradors in the global South in times of crisis. The new schemes of IMF and World Bank, if left unchallenged, will allow big corporations to profit from the crisis, transforming capitalism's crisis into a crisis for the working people and the environment.

What was the Bretton Woods Conference?

The Bretton Woods Conference, officially known as the United Nations Monetary and Financial Conference, set up the World Bank, the General Agreement on Tariffs and Trade (GATT), and the International Monetary Fund (IMF) and the post-war monetary arrangement by which the US dollar took the place of gold as the medium of international exchange.

On July 22, 1944, representatives from 44 countries attended the conference in Bretton Woods, New Hampshire, hosted by the US Department of Treasury. The institutions which were planned at the Bretton Woods included the World Bank, launched late in 1945 and officially called the International Bank for Reconstruction and Development (IBRD), intended to provide long-term loans to states for reconstruction after the devastation of the War, the IMF launched in 1946 and intended to finance short term imbalances in international payments and help maintain fixed exchange rates, linking all currencies to gold via the dollar standard, and in October 1947 the GATT to oversee the dismantling of trade barriers.

While the Bretton Woods Conference officially marked the beginning of a new economic regime, it picked up where the trade conferences of the period between World War I and World War II had left off. Many of the policies codified at Bretton Woods took shape through conferences organized by bankers from Allied Nations. The League of Nations also acted as a precursor to the Bretton Woods system through the negotiation of emergency loans for European countries. This emerging economic cooperation would soon collapse at the onset of World War II.

Near the end of World War II, economic cooperation was taken up once again but with governments playing a more prominent role, especially the newly dominant US whose economy was revitalized by the war. But the Bretton Woods Conference merely formalized previous agreements, especially those between the U.S. and Great Britain. Through a succession of bilateral agreements, the U.S. and Great Britain worked together towards achieving a world with expanding trade and easily convertible currencies, a world that suited their own economic interests as imperialist superpowers.

The IMF and World Bank complement each other. Together, they influence the policies of borrowing governments. Access to funds from either institution frequently requires compliance with conditions set by both. The functions and scope of the two organizations have greatly evolved since their establishment in 1944.

What is the IMF?

The primary focus of the IMF is to regulate currency exchange rates to facilitate orderly international trade and to be a lender of last resort when a member country experiences balance of payments difficulties and is unable to borrow money from other sources.

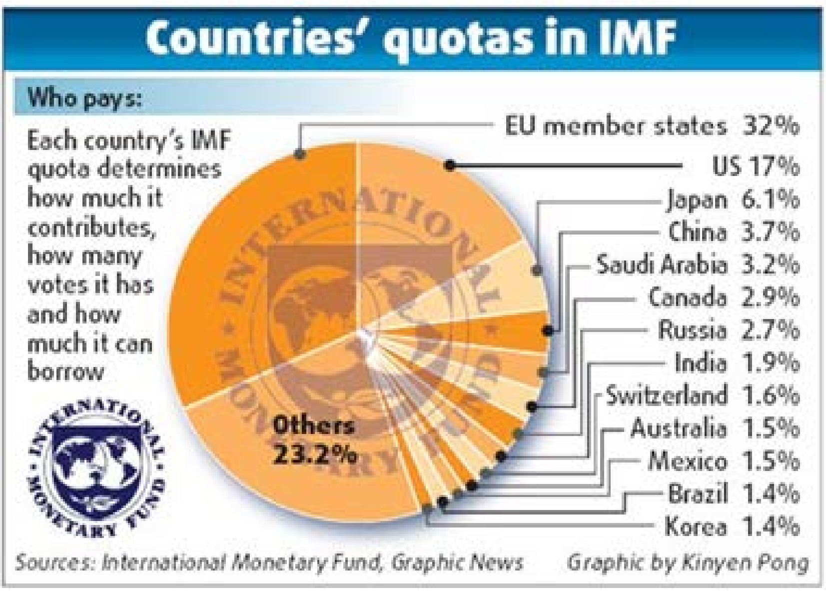
Unlike the World Bank and other development banks and aid agencies, the loans from IMF are not used to finance development projects. Foreign exchange loans from IMF are deposited with a country's central bank for the purpose of boosting its international reserves.

In most instances, the IMF covers only a small portion of a country's financing needs. IMF approval signals to other financial institutions that a country's macro-economic policies are 'sound', reassuring investors and helping officials to attract additional loans from other sources.

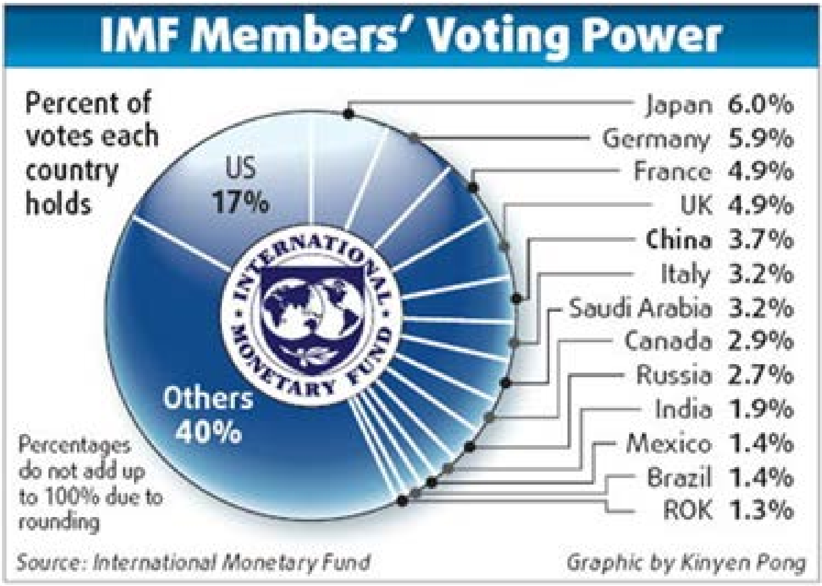
The governance structure of the IMF consists of three parts: the

Board of Governors, the Executive Board, and a Managing Director. The Board of Governors is the highest decision-making authority of the IMF and is made up of the finance minister or central bank governors of member countries. Day-to-day operations of the IMF are handled by the Board of Executive Directors whose members are appointed by the Board of Governors. The IMF Executive Board selects the Managing Director of the IMF, who serves as its chairman and chief executive officer. The Managing Director is serves for a five-year renewable term of office. Since its establishment, the European countries nominate the IMF Managing Director.

The IMF's finances come mainly from contributions made by member countries, currently numbering 189. Members pay 25% of their contributions in 'hard' or readily convertible currencies, such as US dollars or Japanese yen, and the rest in their national currencies. Additionally, the IMF augments its finances via arrangements that allow them to borrow from governments or central banks of rich industrialized countries. As of 2016, the fund had SDR[1] 477 billion (about $666 billion).



Similar to the World Bank, voting power in the IMF is determined by countries' economic size and financial contributions.



Such a system has lead to the overconcentration of power in the hands of the US. For example, the US with 17.55% of the votes has 8.86 times more weight than India, with 1.98% of the votes. But the voting power of the US - how frequently it could decide an issue if a vote were taken - is found to be 14.11 times that of India.

When countries experience balance of payments deficits – that is when their imports expenses go over and above their exports earnings – they can immediately and unconditionally withdraw the 25% of their contribution made in hard currency or gold. If insufficient, they can then withdraw up to three times their original contribution in hard currencies under conditions set by the IMF.

Currently, the IMF provides loans under a number of 'arrangements' or facilities:

- Standby Arrangements (SBA) provides loans to be paid over a period of 12 to 18 months to address short-term or potential balance of payments problems

- Extended Fund Facility (EFF) provides non-concessional loans to be paid over 3 to 4 years to countries facing medium-term balance of payments problems, and is focused on structural adjustment
- Extended Credit Facility (ECF) is the counterpart of EFF for low income countries
- Poverty Reduction and Growth Facility provides concessional loans to help low income countries facing protracted balance of payments problems
- Flexible Credit and Precautionary and Liquidity Line (FCL and PLL) provide loans during periods of heightened to members with already strong commitments to IMF's policy conditionalities
- Rapid Financing Instrument (RFI) provides rapid assistance to countries with urgent balance of payments need, including from commodity price shocks, natural disasters, and domestic fragilities
- Rapid Credit Facility (RCF) is the counterpart of RFI for low income countries

Drawings from the IMF require a country to agree to its imposed restrictions on its economic policies known as "IMF Conditionality." If the conditions are not met, the funds are withheld and gradual disbursements are contingent on the implementation and results of policies suggested by the IMF.

What were the key policies implemented by the IMF and how did they impact peoples?

Stabilization programs

In the initial years, the objective of the IMF was to support and maintain the stable system of stable exchange rates where currencies were pegged to the US dollar, which in turn was convertible to gold at USD 35 per ounce.

After World War II, the dollar emerged as a major reserve asset. The US dollar became the default currency when paying for goods and services globally. Nations had to always accumulate large amounts of US dollar reserves.

From 1950 – 1969 as Japan and Germany recovered after World War II, the US share of world economic output fell from 35% to 27% and the US increasingly became a net importer versus the rest of the world. The pressure on the US dollar mounted, as the US trade balance worsened in the 1960s because of Vietnam War. The US began printing more US dollars which made the value of the US dollar against the gold increasingly more questionable. When some European central banks began to convert US dollars into gold, US gold reserves fell at an alarming rate. The US declared a moratorium on the convertibility of dollar into gold in 1971, signaling the end of the system of fixed exchange rate.

Thus began the era of floating exchange rates with the exchange rates of developed countries determined by supply and demand and exchange rates of most developing economies linked to major convertible currencies of the West.

The oil price shocks of 1973-1974 introduced a new set of dynamics both on the demand and the supply of foreign exchange. Most rich industrialized countries had enough income and hard currency to pay for the higher costs of oil. Additionally, these countries were exporting technology and machinery to oil-producing countries so that in the end, their balances of payment were not drastically disrupted. By contrast, non-oil producing underdeveloped countries did not have high technological industry and did not have means of paying for oil imports. Oil-producing states accumulated huge surpluses in their balances of payments, while poor countries experienced deficits.

The IMF responded by providing loan facilities for Third World countries to help them pay the higher oil prices. In 1974 the IMF introduced the extended fund facility to give medium-term assistance to Third World countries and trust fund from sales of its gold holdings to give low-interest, longer-term loans to poor countries.

Yet, the IMF did not provide loans unconditionally to countries. Policy conditionality has always been a part of IMF loans since the beginning. But during this period, the scope of IMF's policy conditionality expanded immensely. From 1960s to 1970s, the IMF insisted on the adoption of 'stabilization' programs which include

1. Exchange rate devaluation
2. Higher interest rates
3. Budget cuts for government spending
4. Eliminating subsidies
5. Raising the price of public services
6. Wage cuts

Structural Adjustment Programs

In the 1960s and 1970s, many Latin American countries, notably Brazil, Argentina, and Mexico, borrowed huge sums of money from international creditors for infrastructure programs.

Commercial banks flushed with cash after the oil price increases in 1973 – 1974 were happy to provide loans.

During the international recession of the 1970s, many major nations and countries attempted to slow down and stop inflation in their countries by raising the interest rates. This resulted in Latin American countries' already enormous debt to increase further.

While the accumulation of foreign debt occurred over a number of years, the debt crisis began when the international capital markets became aware that Latin America would not be able to pay back its loans. In August 1982, Mexico declared that it would no longer be able to service its debt and requested a renegotiation of payment periods and new loans in order to fulfill its prior obligations.

In the wake of Mexico's sovereign default, most commercial banks reduced significantly or halted new lending to Latin America. Because much of Latin America's loans were short-term, a crisis ensued when their refinancing was refused. Billions of dollars of loans that previously would have been refinanced were now due immediately.

The IMF and commercial banks worked together to ensure that Latin America would be able to repay its loans. To gain the trust of commercial banks, the IMF imposed stabilization programs as conditions for loans ensured by state. The IMF in return demanded that the commercial banks contribute even more money for lending.

Although structural adjustment programs differ from country to country, they typically consisted of the following elements:

1. Liberalization of trade, liberalization of investment, and high interest rates to attract foreign investments
2. Privatization or divestiture of all, or part of state-owned enterprises

3. Increasing taxes collections
4. Deregulating national laws and regulations deemed harmful to business interest
5. Focusing on production for exports (cash crops) and extractive activities, such as mining of natural resources
6. Enhancing the rights of foreign investors

SAP loan packages were also implemented in Sub-Saharan Africa and other regions of the Third World. The imposition of SAPs on developing countries marked the end of state-led development approaches and the ascendancy of the neoliberal policies (collectively known as the Washington Consensus) that focused on markets, prices, and incentives to private sector.

With SAP, the IMF increasingly became even more powerful and foreign corporations and investors even richer, while the people of debtor countries paid the price in terms of unemployment, budget cuts, and higher prices for basic commodities.

Poverty Reduction Strategy

In 1996, the IMF and World Bank, in response to mounting criticisms to SAP, began its Heavily Indebted Poor Countries (HIPC) facility to help manage the debt problems of most heavily indebted poor countries (mostly African countries) with a total estimated debt of $200 billion. HIPCs debt services eat up large parts of their export earnings, and half of their total population live on less than $1 a day.

According to the IMF the HIPC facility 'seeks a permanent solution to these countries' debt problems by combining substantial debt reduction with policy reforms to raise long-term growth and reduce poverty'. By adopting policies judged 'sound by the international community,' debt relief to the eventual extent of $60 billion would be granted.

To qualify for HIPC initiative or to get concessional loans, countries would have to prepare poverty reduction strategies with the participation of civil society. This is in response to some criticisms made about SAP as mere policy impositions lacking national ownership.

The HIPC initiative has been criticized for a number of reasons. First, the criteria set by the IMF were too restrictive that, by 1999, only four countries had received any debt relief under the facility. Second, the six-year program was too long and too stringent to meet the unique needs of debtor nations. Third, the IMF and the World Bank did not cancel any debt until debtors have shown that they have completed the necessary structural reforms, leaving countries under the burden of their debt payments in the process. Fourth, the conditions set by IMF for its credit facility for HIPCs were the same policies under SAP that have been shown to undermine poverty reduction efforts of governments. For example, privatization of utilities raised the cost of services beyond the citizens' ability to pay, further compounding their poverty and vulnerability. The HIPC as a program was designed by creditors with creditor interests in mind, leaving countries with unsustainable debt burdens even upon reaching the decision point.

In 1999, the IMF announced its intention to 'integrate the objective of poverty reduction and growth' more fully into its operation. The IMF changed the name of the Enhanced Structural Adjustment Facility (ESAF) to the Poverty Reduction and Growth Facility (PRGF). This signaled that IMF lending for poor countries would now be embedded in a broader development agenda: Poverty Reduction Strategies.

PRGF provides ten-year loans at an annual interest rate of 0.5 percent. According to IMF, the PRS integrates poverty reduction into, and encourages broader participation and greater country ownership of the structural adjustment programs tied to loans.

Under the PRGF, conditionality considers the social impacts of policies, budgets that are more pro-poor and pro-growth, and increased flexibility for government budget targets.

Notwithstanding the shift in emphasis, however, the PRS like its predecessors remain framed according to the IMF's criteria of how poverty will be reduced: obsession with growth, private sector development, good governance premised on deregulation and privatization, trade and investment liberalization, fiscal austerity and monetary austerity.

Furthermore, civil society involvement in crafting country PRS has been limited 'to consultation and provision of information.' There is little evidence of civil society being included in policy dialogue in a systematic manner.

Corporate bailouts and austerity

The IMF has been hogging the headlines recently as Argentina seeks emergency release of $50 billion in IMF funds amid a new bout of financial turmoil. The bailout package is considered the biggest in IMF history. Argentina was forced to strike a deal with the IMF in early 2018 after a sharp depreciation of its currency. The three-year standby financing deal is aimed at strengthening its weak economy and help fight inflation, which at 30% per year is one of the highest rates in the world.

Argentina is expected to carry out new strings of ever stricter fiscal and monetary austerity measures in a bid to convince the IMF to speed up the release of the loans. Most Argentineans distrust the IMF and criticize the international lending institution for encouraging policies that led to the country's worst economic crisis in 2001. It also resulted in one of every five Argentinean being unemployed and millions slipping into poverty.

Argentina is just one of the many other countries including

Turkey, Hungary, Egypt, Angola, Ukraine and Indonesia that have been badly hit by the currency turmoil as investors dump riskier emerging market stocks and bonds for the safety of American assets.

The crisis rekindles memories of past financial crises that have hit East Asia in the '90s and the eurozone in 2009.

The East Asia financial crisis

The late 1990s Asian financial crisis was caused in large part by South Korea, Thailand, the Philippines, Malaysia and Indonesia's heavy reliance on short-term foreign loans and openness to hot money[2]. These countries experienced substantial increases in capital flows, but their foreign liabilities also increased. When it became apparent in 1997 that banks and corporations would not be able to meet their payment obligations, international currency markets panicked and Asian currencies took a nosedive.

The IMF treated the Asian meltdown like other emergency situations, giving assistance only in exchange for structural adjustment policies. The IMF compelled governments to cut spending and increase interest rates, resulting in the deepening of the economic slowdown.

Economic figures revealed the extent of the crisis but the human and social impacts were most palpable.

In South Korea, unemployment skyrocketed from approximately 3 to 10 per cent. "IMF suicides" became common among workers who had lost their jobs.

In Indonesia, the worst-hit country, poverty rates rose from an official level of 11 per cent before the crisis to 40 to 60 per cent, and GDP declined by 15 per cent in one year. An estimated 2.75 million students in primary and junior secondary schools dropped out. The depreciation of rupiah tripled the price of medicines

Thailand ranked second as one of countries severely hit by the crisis. The greatest impact was in the form of increased unemployment, which rose from almost complete employment to unemployment rate of 4.5 percent and a much higher under-employment in 1998. Inflation drove the price of foreign and local medicines by 51 and 43 percent respectively. According to one study, 45 per cent of health centers and district hospitals reported that they provided substandard health care for fiscal reasons. Household expenditures on medical and institutional care fell by 36% in real terms over the crisis period. Enrolment in high schools was reported to have declined by 10 per cent. A government survey indicated that 40 of respondents reported financial hardship as a prime reason for taking children out of junior high schools.

The Greek debt crisis

After Greece joined the European Union in 2001, foreign investors poured in leading to a boom in domestic consumption and investment. Greek residents spent far more than they earned, with the result that the balance of payments deficit ballooning from about 5% of GDP in 1999 to 10% by 2006 and to 14% by 2008. Mortgage debt also increased.

By the middle of 2009, the government owed more than €230 billion to non-Greeks. Meanwhile, the branches and subsidiaries of foreign-owned banks operating in Greece had ballooned to nearly €200 billion in assets.

The Greek government needed constant additional borrowing from abroad to service its debts. Before the financial crisis, this was compensated for by Greece's rapid growth. After the crisis, however, foreign investors pulled back, hitting both the Greek government and Greece's banks. While the banks had a large supply of foreign assets to help them repay their creditors, the government was less fortunate.

On the heels of a global financial crisis, Greece announced in 2009 that the budget deficit was over 12 per cent, double what it was previously thought. It was later revised to 15 per cent, far exceeding the eurozone's 3 per cent limit. This prompted credit rating agencies to downgrade Greece's status, making it hard for the country to get financial help.

In 2010, the EU and IMF agreed to bailout Greece to help the country repay its foreign private sector creditors. Two bailout packages measures were implemented in 2015 and 2018. Only 11% of the money lent to the Greek government by the IMF and the European government was actually used to help cover the budget deficit and pay overdue loans to Greeks. By contrast, 70% of the loans were used as principal repayment, interest payments, and incentive payments to foreign bondholders.

The loans required austerity measures to cut spending and raise taxes. As a result, unemployment stood at 26 per cent in 2012. Wage cuts and public sector layoffs were prevalent. Pensions as demanded by lenders were reduced.

What is the World Bank?

The World Bank's original mission was to provide financial mechanism for rebuilding Europe[3] after World War II, and to promote economic growth in countries in the global South, many of which were still under colonial rule. The World Bank lent money to European powers to help them exploit the wealth of their colonies. With the formal independence of colonies, newly-independent governments were compelled to shoulder the payment of loans incurred by their former colonial masters under their name.

The World Bank has since reframed its mission to combat extreme poverty and promote prosperity around the world. It provides over $30 billion yearly for projects in the areas of agriculture, trade, health, education, energy and extractives. Through so-called technical assistance, it promotes policies it believes will help enhance economic growth.

The World Bank is owned by 188 member governments. Each member is a shareholder of the Bank and the number of shares a country has determines their voting power. This voting structure gives richer countries like the United States undue advantage in a number of important decision making processes over poor borrowing countries.

Decision-making rests with the Board of Governors to which each member country appoints a representative. For most countries, the governor is the minister of finance. The Board of Governors makes key decisions on strategic direction, membership, capital stock, budgets, and distribution of income. The Board of Governors meets once a year at the IMF/World Bank Annual Meetings to review and set broad policies and priorities.

Since its origin, the president of the World Bank has been a U.S. citizen nominated by its government. The members of the Board of Governors simply ratify the candidate presented by the U.S.

The U.S. has been the only country to have a de facto right of veto at the World Bank. In its inception, the U.S. had 35.07% of the voting rights; since the last reforms to World Bank voting rights in 2013, they enjoy 16.28%. Since 1947, the majority required to modify the statutes was 80% (held by at least 60% of the member countries), which in fact gave the U.S. veto powers. The wave of newly independent countries in the South increased the number of member nations of the World Bank, gradually diluting the weight of the U.S. vote. However, the U.S. took care to preserve its right of veto by increasing the required majority to 85%.

Domination of the United States on the World Bank

Over the course of history, we have seen how World Bank loans have been used by the US, which dominates the institution, to further its economic and political agenda.

In 1950s, Nicaragua was under the dynastic control of Somoza family. The Somoza regime was an ally of the U.S. in the region in relation to the US offensives against Cuba and Guatemala. In 1953, US military bases were set up in Nicaragua from which was launched the successful overthrow, by the U.S. Central Intelligence Agency (CIA), of Guatemalan President Jacobo Arbenz, who had threatened to expropriate the assets of the United Fruit Company.

Despite widespread corruption and repression of dissent, between 1951 and 1956 Nicaragua received nine World Bank Loans, and one in 1960. In contrast, Guatemala did not obtain a loan until 1955 after the ouster of the left-leaning government of Arbenz.

Under Salvador Allende's democratically elected government (1970-1973), Chile received no WB loans. Under the dictatorial regime of Gen. Augusto Pinochet government, after the 1973 military coup, the country suddenly became creditworthy. This is despite then World Bank President Robert McNamara's assistant's report persuading the World Bank to suspend loans to Pinochet for worsening the country's distribution of income.

From the 1960s until the end of the Vietnam War in 1975, the US successfully encouraged the Bank to grant loans regularly to the South Vietnam regime - an ally of the US. After the end of the war and the defeat of the US, the World Bank, caving in under pressure from the U.S. suspended loans to Vietnam despite several mission reports confirming Vietnam's eligibility for concessional loans.

In 2004, the US managed to force the hand of the World Bank and IMF directors to reduce the debt of post-Saddam Hussein Iraq and grant loans to the new Iraqi authorities which were directly under US control. This is despite the fact that the legitimacy of the new Iraqi authorities was not recognized and that the IMF and World Bank do not grant new loans to countries that have defaulted on their sovereign debts.

These subsidiaries form a tightly woven mesh. The IBRD and IDA work primarily with governments and together are commonly known as "the World Bank", while the IFC and MIGA directly support private businesses investing in developing countries. The ICSID arbitrates disputes between foreign investors and governments.

The Five Agencies of World Bank Group and their Functions

1. **The International Bank for Reconstruction and Development** established in 1945 makes development loans, guarantees loans, and offers technical assistance. The IBRD borrows loans at low interest rates by selling bonds in private capital markets in First World countries and makes high interest loans to “creditworthy” countries in the Third World.

2. **The International Development Association**, established in 1969, gives loans to countries that are “not creditworthy”. IDA loans have no interest but charges for administrative fees. The IDA is funded by member governments’ national budgets.

3. **The International Finance Corporation**, established in 1965, is the largest multilateral source of loan and equity financing for private sector projects in developing countries.

4. **The Multilateral Investment Guarantee**, established in 1988 MIGA guarantees protected investors against expropriation, breach of contract, wars, insurrection, coup d’état, revolution, sabotage and terrorism.

5. **The International Centre for Settlement of Investment Disputes**, established in 1966, ICSID facilitates the settlement of investment disputes between governments and foreign investors

What were the key policies implemented by the World Bank and how did they impact peoples?

Laying down the groundwork for neocolonial plunder

In its first years of operation, the World Bank lent mainly to industrialized countries in Europe. Between 1946 and 1948, it granted loans for a total amount of just over 500 million dollars to countries in Western Europe (250 million to France, 207 million to the Netherlands, 40 million to Denmark and 12 million to Luxemburg), while only one loan was made to a developing country (16 million to Chile).

The loans made by the World Bank to developing countries proved to be a heavy burden to carry. They were coupled with high interest rates (equal to that practiced in the market or close to it) and other related fees, and a short period for amortization. In response, many developing countries proposed that the UN should set up a new means of financing. In 1969, the IDA was formed within the World Bank.

The establishment of IDA marked World Bank lending's shift to 'poverty alleviation' in developing countries. The World Bank gave loans to Third World countries which were increasingly being viewed by the US and other First World institutions as 'hot spots' in the global narrative of the Cold War between the U.S. and USSR. US attitude towards the World Bank was driven by three concerns: building an organization to promote free market, leveraging funds from the private sector, and supporting political allies of the U.S.

Projects funded by the World Bank reflected rich industrialized countries' priorities especially in relation to managing newly independent states formerly under their control. The loans were for the purpose of increasing the capacity of former colonies to export the raw materials, fuel and agricultural crops needed by rich industrialized countries.

The World Bank heavily promoted export-oriented agriculture. Bank loans and assistance were given for key agricultural inputs such as fertilizers and seeds. Absent a major land reform, such programs only benefitted rich farmers and further increased inequalities. Furthermore, this chemical intensive industry wrought toxic havoc on the land, causing soil contamination and water pollution.

The World Bank did not support industrial projects designed to respond to the domestic demand of developing countries as these would result in reduced imports from the most industrialized countries. Loans were made on the condition that the money was spent by the developing countries on goods and services imported from rich industrialized countries. In this period, more than 93% of the money lent came back each year to the most industrialized countries in the form of purchases

Another anomaly committed by the World Bank in its early years was the arbitrary passing on the debt contracted by colonial powers to their neocolonies when the latter gained their formal independence. A blatant example can be seen in the case of Mauritania which shouldered the loan guarantee made by France in 1960, a few months prior to Mauritania's independence, for a private mining company. The loan of 66 million dollars to be repaid between 1966 and 1975 was made by the Société Anonyme des Mines de Fer de Mauritanie (MIFERMA) which was owned by French, British, Italian, and West German steel interest. Six years later, the newly independent Mauritania had a debt to the Bank of 66 million dollars.

Structural Adjustment Loans

The debt crisis in the 1980s prompted the World Bank to follow the lead of its senior partner, IMF, of imposing structural adjustment lending aimed at correcting deeper 'structural' problems to Third World countries' development patterns and economy which stemmed from, the Bank believed, protectionist trade and exchange policies, state control, overextension of the public sector, and bias against agriculture.

The Bank's new lending approach was to provide policy-based loans that would extend over several years and would provide support for specific policy reforms. Policies needed by developing countries for achieving faster growth were liberalization, privatization, and deregulation:

1. Reducing/eliminating tariff walls and similar restrictions to imports and encouraging export-oriented growth
2. Reducing public spending and privatizing state-owned enterprises
3. Eliminating price controls, investment and labor market regulations

Structural adjustment reforms would not only help governments from increasing their savings and generate needed foreign exchange to ensure repayment of their debt but would also help create an environment that would attract and maintain foreign investors. Over time, structural adjustment became the only economic strategy acceptable to international financial institutions, multilateral development banks, and other lenders and donors.

When the real negative consequences of structural adjustments became evident, these failures were attributed to the long-term nature of the problem or the lack of full compliance of governments in implementing the reforms.

Full compliance with World Bank and IMF's policy conditions proved to be difficult and yet, governments have typically adopted these reforms as they were under the threat of being cut off from international financing. Although international financial institutions were prohibited from interfering in country affairs, governments have been pressured to comply with adjustment conditionality by changing their laws and keeping information on loan requirements away from public scrutiny.

Bolstering Corporate Profit and Power

In 1947, strong opinions have been raised by senior executives of the World Bank on the need for private business to take active role in international development. In 1950, proposals have been made for establishing a new institution for the purpose of making private investments in the developing countries served by the Bank.

The U.S. government encouraged the idea of an international corporation working with the World Bank to invest in private business without accepting guarantees from governments, without managing those enterprises, and by collaborating with third party investors. The proposed World Bank agency would only invest in private firms, rather than make loans to governments, and it would not manage the projects in which it invests. Such an entity came into being in 1956 with the establishment of the International Finance Corporation (IFC). The corporation made its inaugural investment in 1957 by making a $2 million loan to a Brazil-based affiliate of Siemens & Halske (now Siemens AG). Since its foundation, the IFC has provided around $200 billion to private enterprises in developing countries

The World Bank has branded its private sector support as part of empowering small and medium enterprises, particularly those in the Third World. SMEs make up around 90% of businesses in developing countries and employ over half the working population.

However, IFC's lending trends evidence that much of the support actually goes to big corporations not local SMEs. For example, Coca-Cola Sabco, or CCS (an existing IFC client), owns CocaCola bottling operations in South Africa, Namibia, East Africa and Asia. The IFC approved a loan of $40 million to support and refurbish existing plants in Ethiopia, Kenya, Tanzania, Uganda, Mozambique, Cambodia, Nepal and Sri Lanka, and set up a new plant in Laos.

The Golden Bank

Banco de Oro is controlled by the SM Group of companies in the Philippines, one of the largest conglomerates in the country and owners of its most extensive chain of shopping malls. It has been an IFC client since 2002, expanding in that time from the 13th largest commercial bank, with assets worth $1.52 billion, to the 2nd largest in 2007, with assets totalling $12.6 billion. In 2003, IFC gave Banco de Oro a $20 million loan, to boost "medium-term lending to the middle-market". Its latest loan, of $150 million, is expected to "consolidate the Philippine banking industry" and expand Banco de Oro's capital base. According to Banco de Oro officials in Manila, banks tend to lend to SMEs only when the economy is on the upswing, and they are assured of returns. This calls into question the IFC's claims of SME financing providing a counter-cyclical influence and suggests that there may be no correlation between their support and that of Banco de Oro to SMEs.

Source: Bretton Woods Project

In recent years, the IFC has been increasingly outsourcing much of its development work to for-profit financial intermediaries such as commercial and investment banks. The IFC argues that such financial-sector lending helps small businesses in developing countries gain access to credit.

Between 2011 and 2015, the IFC provided $40 billion to commercial banks, private equity funds and insurance firms. Financial-sector lending now make up 52% of the IFC's long-term financial commitments. Other development financial institutions have also followed suit, producing a global trend. And yet, while these investments in financial institutions continue to grow, the IFC has little control over how this money is spent.

According to Inclusive Development Institute, in Africa, the IFC is indirectly supporting some of the continent's largest land grabs. These include plantations in Ethiopia's Gambella region, the site of government-directed forced population transfers and massacres; oil palm plantations in Gabon that could harm thousands; and land concessions within the 14-million-hectare ProSavana agribusiness project in Mozambique.

And yet , the IFC has consistently evaded responsibility over the negative impacts of the investments made by its commercial banks. The IFC has argued that it "does not finance specific companies through its investments in FIs, except in the case of Private Equity Funds. Therefore, most of the investments made by our clients are outside the scope of IFC's direct supervision." This means that the IFC is refusing accountability for around 90% of its portfolio that are currently captured by financial markets.

According to a research done by Oxfam, however, IFC is actually deeply involved in the managing of the banks benefitting from their loans, including through appointing directors to their boards, providing technical assistance on business strategy, risk management, and corporate governance.

"In a report on its impact on the Chinese banking sector, the IFC highlights an SME sub-project, the Nanjing Dongdian Inspection and Measuring Equipment Co., citing its five-fold increase in staff and seven-fold increase in sales since receiving financing from IFC's client, the Bank of Nanjing. This level of support to commercial banks, and the IFC's willingness to claim credit for any positive development impacts accruing from sub-projects, stands in stark contrast to its repudiation of responsibility for any negative environmental and social impacts of its FI sub-investments."

Another instrument that corporations use to consolidate their power and influence in the World Bank Group is the Multilateral Investment Guarantee Agency (MIGA). Founded in 1988, MIGA guarantees investors from the political risks of private investment in low income and conflict-affected countries by insuring them against losses resulting from government expropriation of assets and breach of contract, wars and civil conflict. Majority of MIGA clients are from the infrastructure and financial sectors while the rest are from the extractive and energy, agribusiness, services, manufacturing and tourism.

One of the most infamous examples of MIGA's operations was the political risk insurance it provided to Freeport McMoran of New Orleans, USA, for the copper and gold mine in West Papua, Indonesia, that dumped 120,000 tons of toxic mining waste into the rivers in Ajkwa River, West Papua which has destroyed over 30 square kilometers of lowland forest.

MIGA conducts dispute mediation in cases when conflicts arise between investors and governments. If the parties are unable to settle their dispute and a claim for compensation is brought by an investor, MIGA conducts a review and will cover the compensation demanded by the investor. Under the terms of MIGA's Convention, MIGA is permitted to seek reimbursement of such payments from the host government.

In this sense, MIGA complements the work done by another World Bank Group subsidiary the International Centre for the

Settlement of Investment Disputes (ICSID). Created in 1966, ICSID is the primary institution for handling the cases that companies file against sovereign states.

Legal systems of many countries already allow foreign investors the same rights and protection as their own nationals. With the introduction of ICSID, foreign investors receive the extra privilege of suing a sovereign state outside its national territory, dispensing with the national courts.

The first case filed in ICSID was in 1972, with just over two dozen cases filed in total through 1988. However, by the mid-1990s, ICSID gained prominence, largely because of investor-state dispute settlement clauses inserted in neoliberal bilateral and multilateral trade and investment agreements that proliferated starting in the 1980s and that exploded in the 1990s. In 2017 alone, 53 new cases were added to ICSID's case load, majority of which were filed against governments of developing countries. Fifteen per cent of the new cases were related to the finance sector and thirteen per cent to extractive industries.

Development Aggression

The World Bank is one of the largest sources of funds for mega-dam construction having provided more than 50 billion USD for construction of more than 500 large dams in 92 countries. It has been "directly or indirectly associated" with around 10% of large dams in developing countries (excluding China, where the Bank had funded only eight dams up to 1994). The importance of the World Bank in major dam schemes is illustrated by the fact that it has directly funded four out of the five highest dams in developing countries outside China, three out of the five largest reservoirs in these countries, and three of the five largest hydroplants.

Since 1948, the World Bank has financed large dam projects that have forcibly displaced 10 million people from their homes and lands. The Bank's own 1994 "Resettlement and Development" review admits that the vast majority of women, men and children evicted by Bank-funded projects neither regained their former incomes nor received any direct benefits from the dams for which they were forced to sacrifice their homes, culture, and lands.

Kedung Ombo Dam Project in Indonesia

During Indonesia's Kedung Ombo dam project, evidence was presented to document the evacuation by the army of more than 5,000 families from the reservoir area before it was flooded. The project had not estimated the number of people likely to be displaced, had not included any finance for resettlement and, indeed, had not viewed displacement as important, mainly because a larger number of other people were expected to become beneficiaries of the irrigation that the project planned to provide downstream. The Bank started to heed these problems only when civil society called on World Bank officials to witness firsthand the reservoir refugees marooned on their rooftops. In 1994, Indonesia's Supreme Court confirmed that the dam proponents, including the Bank, had committed massive errors and policy violations.

Source: World Bank versus the World Commission on Dams

Since 2012, World Bank has repeatedly championed the Bank's return to large hydropower as a means of addressing energy poverty and climate change, including so-called "transformational" mega-dams. The World Bank promoted the controversial Inga 3 Dam, the first phase of an extremely ambitious suite of dams envisioned on the Congo River.

Extractives and Dirty Energy

The World Bank has been a major force in the denudation of the world's forests by financing logging projects, transmigration projects and dam projects. Criticism of its disastrous schemes in the Amazon, South East Asia and West Africa forced the Bank to adopt a new policy in 1991 that would prohibit lending for logging in primary forests in the hope of a curbing deforestation. Despite this, a January 2000 internal World Bank study showed that forest lending has not curbed deforestation or reduced poverty, despite a 78% increase in forest-related lending over the past 10 years. In 2002 the World Bank released its Forest Strategy but has been criticized for opening the door to more deforestation. Civil society and environmental groups pointed out that since the implementation of the strategy, the World Bank has failed to put an end to industrial-scale logging in tropical rainforests and has even contributed in crafting policies that encourage large logging concessions.

Despite commitments to help countries adopt a low-carbon development path, specifically by phasing out fossil fuel subsidies and promoting a carbon tax, the Bank's policy lending continues to do the opposite by introducing tax cuts for coal power plants and coal export infrastructure. In 2017, civil society group Bank Information Centre revealed that seven World Bank policy operations from 2007 to 2016 totaling $5 billion in four countries—Indonesia, Peru, Egypt and Mozambique—that intended to boost low-carbon growth were instead channeled toward investment incentives for projects that put the climate, forests and people at risk.

In 2017, the World Bank has announced that it is officially phasing out its support for the oil and gas industries. Peoples' movements and civil society will need to closely monitor World Bank's compliance to its own commitments as time and again the World Bank has proven to renege on its promises.

Support for Dictators

The charter of the World Bank stipulates that it should neither interfere in the political affairs of any of its members not shall be influenced in their decisions. However, the Bank has consistently used its financial power to force the hand of poor developing countries to follow the dictates of rich countries. Bank choices relative to countries that play a major political role in the eyes of its major shareholders are regularly linked to these shareholders' interests and outlooks, especially the United States.

The IMF and World Bank have both shown greater leniency and accommodation to right wing governments than to governments with left-wing platforms. Both institutions have launched economic wars against left-wing governments by refusing them loans or downgrading their creditworthiness, while making fewer demands and making loans readily available for right-wing governments.

The 1994 UNDP World Development Report confirmed that "… for the United States in the 1980s, the relationship between aid and human rights has been perverse. Multilateral donors also seem not to have been bothered by such considerations. They seem to prefer martial law regimes, quietly assuming that such regimes will promote political stability and improve economic management. After Bangladesh and the Philippines lifted martial law, their shares in the total loans given by the World Bank declined".

- Under Allende's democratically elected government (1970 -1973), Chile received no Bank loans. Under the Pinochet government, after the 1973 military coup, World Bank disbursements to Chile dramatically increased. The IMF and World Bank leaders were fully aware of the deeply authoritarian and dictatorial nature of the Pinochet regime.

- In 1961, President Joao Goulart came to power in Brazil. Among his priorities were implementing land reform and nationalizing petroleum refineries. The IMF-World Bank suspended loans to Brazil. When he was overthrown by the military, the United States recognized the new regime, and not long afterwards, the World Bank and IMF resumed their suspended lending policy.

- After supporting Anastasio Somoza's dictatorship, the World Bank called off its loans after Sandinista Daniel Ortega's election as president of Nicaragua. The Sandinistas urged the World Bank to resume its loans and expressed willingness to accept a drastic structural adjustment plan. The Bank did not resume the loans until the Sandinista electoral defeat in February 1990, when the US-backed conservative candidate Violeta Barrios de Chamorro won the elections.

- Mobutu's gross economic mismanagement and systematic misappropriation of loans did not result in the IMF and World Bank stopping their aid, but on the contrary, increased. Mobutu's regime was a strategic ally of the U.S. and other influential powers in the IMF and World Bank during the Cold War.

What were the impacts of IMF-World Bank's policies to peoples' rights and wellbeing?

Workers

The market-based reforms pushed by the IMF and World Bank have led living standards in many developing countries to a race to the bottom. Minimum wage floors were kept at outrageously low levels to attract foreign investments to the detriment of workers and their families. The drastic liberalization of economies of poor countries to allow foreign corporations has devastated domestic business, while the privatization of state-owned enterprises has resulted in mass layoffs. New jobs have not been generated to keep up with the ever increasing new job seekers. Critical loss of employment has been noticed in sectors on which low- and middle-income earners depend. Increasing unemployment put pressure on workers' wages and benefits, and their right to collective action.

Structural adjustment policies contributed in the promotion of labor flexibilization: a scheme by which firms no longer commit to providing employees lifetime job security and instead seek flexible employment relations that permit them to increase or diminish their workforce and reassign employees with ease. Hard won victories achieved by the workers through years of collective struggle have been eroded. Compressed work-week, reduction of workdays, rotation of workers, broken-time schedules, forced leave, and flexi-holidays were implemented to cut-down on the labor hours paid to workers and maximize corporate profit. Work contractualization serves as capitalists' legal smokescreen to further reduce the cost of labour and avoid paying government mandated benefits usually provided to regular workers. Safety, health, and living standard of workers are undermined all for the sake of the free movement of foreign private capital.

A major consequence of labor market liberalization also included targeting trade unions that stand in the way of corporate bosses from reaping greater profits. In free trade or export processing zones, enterprises took advantage not only of adequate infrastructure, exemptions from tax and customs duties, and low wages but also from a climate of impunity that enables them to cut down on production costs and boost their bottom line. Transnational corporations from the North would transfer their production to developing countries in the global South where part of countries' "comparative advantage" selling point is the repression of organized work force done in the name of "industrial peace."

In Ecuador, violations of the right of free association and discrimination against women's labor were cited as impacts of adjustment policies and the preferential treatment given to business owners. Only 2% of workers enjoy social protection or have signed collective contracts. Depending on the sector, 45-66% of workers in Ecuador are willing to give up labor rights in return for keeping their jobs.

With the deteriorating labor conditions and mass poverty brought about by IMF-World Bank's policies, workers were forced to leave their homeland, families, and loved ones in the hopes of finding better employment. As migrant workers, they are constantly exposed to grave discrimination and abuses. They are accorded lower wages, prevented from joining unions, and suffer from emotional and physical abuses by their employers. Migrants had to contend with increasing racial discrimination, harassments, unjust prejudice, and arbitrary surveillance. Worse, states, international financial institutions, and intergovernmental bodies would rather take the pragmatic approach of maximizing migration's potential "benefits" instead of treating it as an anomaly that has to be arrested. Indeed, the World Bank in its policy research report "Moving for Prosperity" has even promoted migration as the most effective way to reduce poverty and share prosperity.

Poor farmers

Smallholder farmers have lost food and market sovereignty in the local market with the incessant dumping of cheap agricultural imports coming from developed countries. Government subsidy and support for agriculture have been pulled out as these are deemed to create “distortive” impacts to free trade. The aggressive push to pry open developing countries’ domestic market for greater foreign access however has not been reciprocated by developed countries. Agricultural exports of developing countries struggle for entry into regional and international markets as they contend with high tariff walls, restrictive quotas, administrative barriers, and quality controls. Developing-country farmers continue to enjoy government subsidies to agriculture, keeping prices artificially low and making it difficult for developing country farmers to compete. Meanwhile, the more fundamental issue of land reform in underdeveloped agrarian countries remains unaddressed.

The export-oriented model promoted by IMF-World Bank has drastically transformed developing economies that were once major food producers into net importers of food from rich industrialized nations. Indonesia and the Philippines, for example, have been top exporters of rice before. The drive for self-sufficiency of these countries in the past was intended as a safeguard against their fast-growing populations and the fluctuating prices of their commodities in the world market. Under the policy conditionalities of the IMF-World Bank, however, these countries have now become the top importers of rice.

Land grabbing in developing countries perpetrated by financial investors and speculators is also on the rise. According to a study, in developing countries, as many as 227 million hectares of land – an area the size of Western Europe – has been sold mostly to international investors. These land deals are often intended to produce for foreign food and biofuel markets.

Global Witness, a civil society organisation engaged in campaigns on resource issues, implicated Vietnamese rubber firms funded by an arm of the World Bank and Germany's Deutsche Bank of inducing a land-grabbing crisis in Southeast Asia. The group reports that the seizures affected tens of thousands of villagers and led to the clearance of swathes of protected forests.

> During the SAP era, converting countries to this model of "commercial" and liberalized agriculture led to the impoverishment of millions of farmers, who found themselves forced to exit agriculture altogether or become farm workers on plantations. For instance, in Guatemala, adoption of an agro-export model under pressure from the World Bank and IMF included ending all public assistance to small farmers. This had tremendous consequences on staple crop production and food security in a country where over 60% of the population depends on agriculture to survive.75 Guatemala went from being self-sufficient in grain to buying 750,000 tons of corn in 2013 (Figure 2),76 with over 630,000 tons imported from the United States.77 The food price spike in 2008 led to a 240% increase in the local price of corn from the year before.78 Today, despite Guatemala being the fifth largest exporter of sugar, coffee, and bananas, the government has to distribute food rations to its population. In 2014, USAID reported that "Guatemala has the highest national level of chronic malnutrition (48.9 percent) in the Western Hemisphere and one of the highest in the world." Chronic malnutrition in the country is concentrated among the rural Indigenous population where "total growth stunting rates reach over 80 percent."79
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> *Source: Oakland Institute "Unfolding Truth: Dismantling the World Bank's Myths on Agriculture "and Development*

Indigenous Peoples

The IMF-World Bank has constantly attacked indigenous peoples, majority of which are to be found in the Global South. As governments of developing countries comply with IMF-World Bank conditionalities, indigenous peoples– already in a disadvantageous and marginalized position – took the heaviest blows that displaced them from their lands and threatened their very existence.

Land ownership remains an urgent issue for indigenous peoples. Ancestral domain is a crucial element in preserving indigenous culture and for their very survival. In the era of neoliberal globalization, however, land has also become the curse that has brought tremendous suffering and pain to indigenous people. The export-led development framework pushed by the IMF-World Bank, and the imperative to respond to the needs of global financial markets drove the rapid decimation of innumerable indigenous communities.

Indigenous people stand in the way of IMF-World Bank's corporate agenda because they occupy the last pristine places on earth, where resources are abundant: forests, minerals, water, and biodiversity. According to estimates, as much as 50% of the gold produced between 1995 and 2015, and up to 70% of copper production by 2020, will take place on the territories of indigenous peoples. World Bank's continued financing of megaprojects such as dams, so-called green cities, and the energy and extractive industries has opening up of previously inaccessible territories to industrial extraction of natural resources consequently resulted in indigenous populations being expelled from their ancestral domains, depriving them of their living spaces, resources, and livelihoods in the name of the World Bank mantra of "economic growth and shared prosperity".

Cuts on spending for basic social services and the privatization of health, education, and other critical infrastructures aggravate the marginalization and exclusion of indigenous populations. Statistically, indigenous people have poorer health, educational opportunities, and life expectancy.

Urban Poor

The rapid growth and expansion of cities, the explosion of slum dwellers and urbanization of poverty go hand in hand with the entrenchment of the neoliberal globalization agenda in the developing world. The current emphasis on financialization at the expense of the growth and development of the real economy like productive manufacturing and the privatization in basic social service provision and infrastructure at the expense of public investment have resulted in the dependence of developing countries' economies on the global marketplace.

The 1980's saw the shift in global economic relations to financialization or securitization that offer greater profits than trade. Economies were goaded to open to short-term capital flows through foreign direct investments and portfolio investments. This has necessitated the establishment of a core of services and finance to draw investors. Large core cities became the sites for a globalized economy based on capital flows. As developing countries shift economic development emphasis from rural to urban, to attract investors, they adopted policies of agricultural deregulation and fiscal discipline enforced by the IMF and World Bank. These policies have generated and continue to drive the exodus of surplus rural labor to urban slums even as cities have ceased to provide sustainable and decent employment. Governments gripped in debt became subject to World Bank structural adjustment and IMF conditionality. Subsidized, improved agricultural input packages and rural infrastructural building were drastically reduced. National market deregulation pushed agricultural producers into global commodity markets where middle as well as poor peasants found it hard to compete.

The policy of privatization further heightens the vulnerability of the urban poor who could have benefitted from some protection through access to social services, utilities and infrastructure amidst the crisis and skyrocketing prices of basic necessities. But since the accent is placed on giving the private sector broader rooms for investment, these services are now left at the mercy of the markets, and greater inequality and social exclusion become entrenched.

Environment

Neoliberal globalization has led to greater corporate stranglehold and domination of the natural resources of developing countries. The transformation of resource-rich but poor countries in the Global South as suppliers for the consumption and production demands of highly-industrialised nations has depleted developing countries' natural wealth and forfeiting their future prospects for sustainable growth. In Brazil, market forces of globalization are invading the Amazon rainforests, with trees being wantonly cleared to create open lands for soybean farming and other cash crops for export. The great demand for woody biomass fuels and agrofuels especially in OECD countries has induced expansion of large-scale monoculture plantations of crops, such as corn, sugarcane, as well as plantations like oil palm and jatropha, contributing to climate change.

State control and policy ownership have been replaced by a competitive race after investors which in most cases resulted to drastic and warrantless deregulation of industries and the subversion of critical checks and balances frameworks like environmental laws and policies.

What is the new agenda of IMF-World Bank?

The prevailing socio-economic narrative has always tied up the notion of economic development with the growth of the business sector. Development has become synonymous to expanding and creating new markets and investments for corporations and increasing GDP rates, at the expense of peoples' rights, democracy, sovereignty, and environmental wellbeing. With the immense growth of business in the past century, especially corporate-led business, its power to shape and drive entire economies and bring together communities and markets across regions has loomed even larger—at times even exceeding governments.

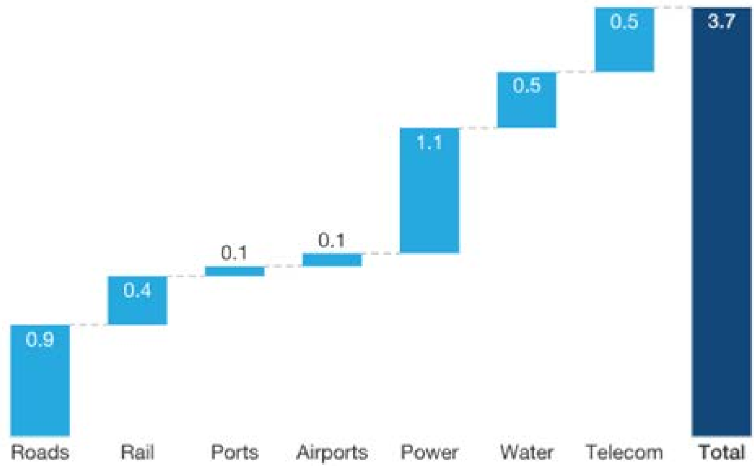
At the core of IMF-World Bank's understanding of development is private sector development. The World Bank says that "private sector development has been at the center of its activities since the beginning." Private sector development reached its apex in the 1980s with the structural adjustment regimes of IMF-World Bank which enabled neoliberal policies to expand the role of the private sector in development while increasingly eroding the traditional role of the state. In 1993, private sector development became an "organizational principle," which meant that PSD-related programs became hard-wired into its functional divisions.

The new agenda of IMF-World Bank as envisioned in its new approach called "**Cascade/Maximizing Finance for Development**" which seeks to revolutionize development financing for developing countries is founded on the same formula that places big corporations at the front and center of development process.

The new approach, which was originally called "from billions to trillions," envisions having the World Bank and other multilateral development banks leverage their public resources and guarantees in new types of blended financial instruments and investment strategies designed to attract new and larger flows of private capital into development projects in developing countries.

The major goal at the moment is to help developing countries address the large gap in financing for infrastructure development. According to statistics, around 3.7 trillion will be needed in economic infrastructure alone every year from 2017 until 2035.

Average annual need, 2017–35, $ trillion, constant 2017 dollars

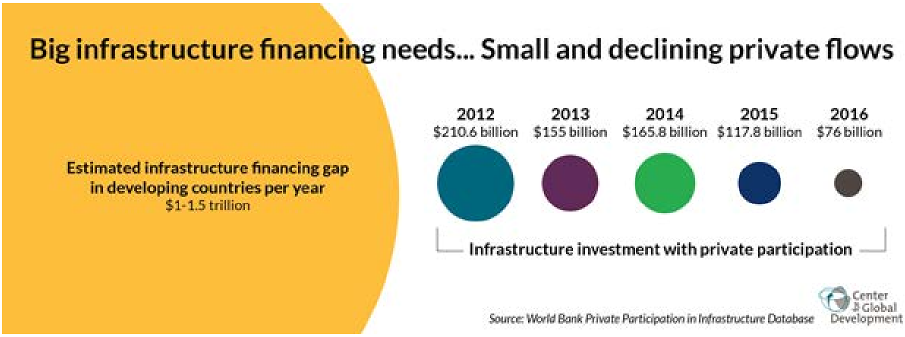


	Roads	Rail	Ports	Airports	Power	Water	Telecom	Total
Annual spending, % of GDP	1.0	0.4	0.1	0.1	1.3	0.5	0.6	4.1
Aggregate spending, 2017–35, $ trillion	18.0	7.9	1.6	2.1	20.2	9.1	10.4	69.4

Note: Figures may not sum, because of rounding.

Source: GWI; IHS Global Insight; ITF; national statistics; McKinsey Global Institute analysis

Fifty-four per cent of the world's infrastructure needs will be in Asia. China will account for 34% of global need and India 8 per cent. Nearly two-thirds of global infrastructure investment in the period to 2035 is required in emerging economies. The problem is that private flows for big infrastructure needs are on the decline.



In the aftermath of the global financial crisis, international financial flows remain depressed. Total multilateral development bank commitments are only about $116 billion per year, with infrastructure funding of about $45 billion per year.

Infrastructure investors complain that barriers to private finance are holding them back. Major concerns identified were adverse regulatory rules, breach of contract, civil disturbances, and non-honoring of financial obligations. Thus, they are calling for expansion of risk sharing tools and guarantee loans for investors by multilateral development banks.

In 2015, top multilateral development banks and the G20 launched the "From Billions to Trillions" model to promote the use of billions in official development assistance to mobilize trillions from the private investors, especially those who have been unwilling to take risks up to now. This was followed up with the Global Infrastructure Forum (GIF) formed at the Addis Ababa Action Agenda 2017. The GIF aims to improve coordination among multilateral development banks and their partners to help governments in developing countries attract more private capital for infrastructure.

Finally, in Spring 2017, the World Bank Group released the document "Forward Look – A Vision for the World Bank Group in 2030 – Progress and Challenges" where it proclaimed strong progress in its agenda to mobilize private finance or its 'billions to trillions' scheme to leverage private capital for infrastructure and other sectors in underdeveloped countries. It reported that the IFC is now focused on 'creating markets' which involves the WBG's collaboration in "creating enabling policy and regulatory environments and on de-risking the private sector's entry into these environments."

The same document introduced the "Cascade" approach (later renamed as Maximizing Finance for Development or MFD) that sought to "to maximize the impact of scarce public resources" by seeking to attract commercial finance by reviewing and reforming "country and sector policies, regulations and pricing, institutions and capacity". In sum, the first recourse is through deregulation. The second step is to ensure that investor risks are mitigated: "Where risks remain high, the priority will be to apply guarantees and risk-sharing instruments." This echoes the demand of investors for greater measures to lower the perceived risks, such as in the infrastructure sector in developing countries, by expanding instruments such as incentives, blending concessional loans and private capital, guarantee loans and insurance products. Such guarantees and blended financing packages will not only attract private finance flows into infrastructure projects but the long-term debt repayments and guaranteed future revenue streams can themselves be bundled into tradable assets that can be sold in capital markets.

The approach considers public financing as the last option, only to be chosen in instances when subsidies and guarantees cannot persuade private financiers to invest.

The Bank has expressed its intention to expand this approach to all areas, including social services such as schools and health, finance, agriculture, and climate. Nine countries have been identified as pilot sites for the implementation of MFD with focus on the infrastructure sector: Cameroon, Cote d'Ivoire, Egypt, Indonesia,

Iraq, Jordan, Kenya, Nepal, and Vietnam. Implementation is to be scaled up both at geographic and sectoral levels, with Peru and Sri Lanka in the pipeline. MFD diagnostics are likewise being done in a number other countries.

What is the new agenda of IMF-World Bank?

The MFD/Cascade approach is a recipe for deepening the neoliberal process that the IMF-World Bank Group have set in motion over the course of their history and consolidating corporate hostage of development. The policy recommendations enshrined in the MFD/Cascade approach do not stray too far from the policies of liberalization, privatization, and deregulation that reached their apex in the structural adjustment era.

The bias towards commercial finance as the main driver of development has been shown to have deleterious consequences. Under the neoliberal mantra in the 1980s, the fundamental consequence of giving full play to the private sector's role (while diminishing the public sector's role) has been to open the floodgates of unhindered and unregulated growth. This has led to chronic cycles of crises during which whole economies suffered widespread and massive bankruptcies, dips in production and productivity, unemployment, and loss of livelihood. The East Asian financial crisis in the 90s and the 2008 financial crash trace their roots in the deregulation of the finance sector which was justified to stimulate the growth of the private sector.

The IMF-World Bank Group's dogma of maintaining a "sound investment climate" and providing direct support to the private sector obscures the fact that only a particular section of the collective term "private sector" has been deliberately made to benefit from their projects: the transnational corporations. In many developing countries, contracts for megaprojects are always bagged by big foreign corporations that have the capital, technology, knowledge, manpower, and network. In a research conducted by People Over Profit, a global network of peoples' movements against free trade agreements and corporate plunder, from 2008 to 2017, it was revealed that foreign transnational and multinational corporations with sizeable operations in developing countries bagged the most lucrative World Bank-funded contracts in the top 10 borrower countries, excluding India and China.

Furthermore, big business firms invest in selected sectors in developing countries, not because they are committed to fully and sustainably develop their economies.

The IMF-World Bank designed the MFD/Cascade approach primarily to court hesitant investors that are seek bigger market shares, less tax burdens, guaranteed high profits, more stable business environment, and other economic opportunities. With flows to the public sector declining in favor of flows to the private sector, many developing countries competing for investors are unable to negotiate the deals that would best serve their economies and people while foreign investors are able to dictate the most favorable terms for them.

When private companies or public-private partnerships take over sectors traditionally held by state-owned corporations agencies, business metrics such as profitability and risk become paramount in operating social services that are supposed to be for public benefit. High costs render social services inaccessible to the poor and marginalized sectors. Meanwhile, the private sector operators enjoy huge financial gains with the help of public funds. They also exert stronger influence over state policy, especially when they gain control over key infrastructure and service facilities.

What are the peoples' calls?

Imperialism creates a system where economic surpluses are misappropriated and concentrated in the hands of a few. Investment to develop the economy and finance the needs of the people are not given due attention. Poor and underdeveloped countries demand systematic planning and active state intervention and regulation to unleash peoples' potential to generate surpluses and to use these rationally. Their banking and financial system needs to be reoriented to direct resources for agricultural development, rural industrialization, vital and strategic industries, priority domestic manufacturing, infrastructure, social services and welfare, and others. The IMF and World Bank will not be able to carry out these agenda because these institutions are beholden to imperialist governments and their corporations.

On October 2018, peoples' movements and civil society will be coming to Bali, Indonesia to discuss issues, share experiences, and find ways forward to struggle for a world without IMF and World Bank, and similar imperialist institutions that violate their rights and promote maldevelopment and debt bondage.

They come from various communities and sectors and strongly believe that IMF-World Bank loans are not geared toward ending poverty and sharing prosperity but are used to perpetuate neocolonial plunder of their resources and to foster inequality. They testify that the IMF-World Bank knowingly allow itself to be used by the US and other superpowers to advance imperialist interest. They have seen how the IMF-World Bank propped up tyrannical regimes that kowtow to the US and sabotaged democratic governments that attempted to pursue self-determined development and self-reliance.

Peoples' movements and civil society unite in the call to abolish the IMF and World Bank and other institutions of monopoly capitalism. They are rallying peoples and leaders to create a front of indebted countries demanding non-repayment of IMF-World Bank loans and to create an alternative multilateral financial cooperation anchored on peoples' rights and sovereignty, the principles of complementarity, equality, justice, and solidarity, accountability, and peoples' collective power over the economy.

Endnotes:

1. Special Drawing Rights are supplementary foreign exchange reserve assets defined and maintained by the IMF. SDR is the unit of account for the IMF, and is not a currency per se.

2. Hot money is currency that moves regularly, and quickly, between financial markets, so investors ensure they are getting the highest short-term interest rates available. Hot money continuously shifts from countries with low-interest rates to those with higher rates; these financial transfers affect the exchange rate if there is a high sum and also potentially impact a country's balance of payments.

3. The Marshall Plan (officially called the European Recovery Program) had two aims: political and economic. The political objective was to isolate US' archenemy the Soviet Union and the economic objective was to build up markets for American exports.

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