WILL THE WORLD BANK/IMF PRIORITISE PUBLIC SERVICES AND TAX JUSTICE AMIDST CLIMATE CHANGE AND A DEBT CRISIS?

A Preamble to the World Bank/IMF Spring Meetings 2024

The Africa We Want

Demand Finance Reclaim

#ReclaimPublicServices

ISER

INITIATIVE FOR SOCIAL AND ECONOMIC RIGHTS
It is that time of year, the highly anticipated biannual World Bank/IMF meetings. This spring we are in Washington DC. In the fall last year, we were in Marrakesh, Morroco – the second time the meetings took place in Africa (more than 50 years since the first one) amidst increasing demands from the African continent to rethink the international financial architecture.

The highly anticipated World Bank/IMF meetings are taking place amidst a poly crisis as the world grapples with climate change, cost of living crisis, Covid 19 recovery, Russia/Ukraine war.

The world is at a tipping point and we have the opportunity to reverse and change course.
While everyone including the World Bank President and IMF Managing Director has decried the rising debt and the fact that countries spending more on debt than on public services e.g. health, education, social protection is problematic, there seems to be no real commitment to address this. At the sidelines of the annual meetings last year, ISER staff speaking to African government representatives from highly indebted countries found frustration with the slow pace of change and the onerous requirements they faced, for example being barred from hiring public servants, wage freezes, failing to invest in social protection even in a crisis. ISER has been calling for human rights impact assessments of debt arguing that merely using traditional economic rubric, like the Bretton Woods institutions often do when assessing debt sustainability, fails to take into account the real cost of this debt on our healthcare, education and overall our people’s ability to live in dignity. There has to be meaningful action towards debt cancellation and rethinking this architecture that forces governments to make unconscionable choices: choose to pay debt or provide quality healthcare for their people.
Covid 19 underscored the centrality of public services. The World Bank and IMF say they are committed to them but their actions reveal otherwise. World Bank President, Mr. Ajay Banga, responding to our demand to prioritise public services said the World Bank is committed to public services but noted it will keep using private finance. Yet as has been documented, in public services like health, education, this is a flawed approach that increases inequality and a number of World Bank Group projects funded through the IFC have for example detained patients that could not pay. The World Bank evolution roadmap, despite the evidence showing placing public funds in private health or education does not deliver on equitable health or education, argues for increased private sector in areas like health, education.

We must push back against using public funds to subsidise the for-profit private sector in health, education, particularly since public services are already chronically underfinanced. All that does is privatise the profits and socialize the risk.
The World Bank’s advocacy for targeted social protection instead of inclusive social protection leaves out many who need it. The IMF Managing Director touted the social spending floors as evidence of its commitment to social spending but as we responded to her, this accomplishes very little amidst the austerity the IMF has been forcing governments to do under the guise of fiscal consolidation. Check out our joint call to the World Bank/IMF.
MAKE THE WEALTHY PAY THEIR FAIR SHARE OF TAX

To get the public services we want and to address the debt crisis, the wealthy must pay their fair share of tax. The IMF’s own research shows implementing tax reforms to increase domestic resource mobilisation can raise GDP by up to 9 percent in low income countries and up 5 percent in emerging markets. The IMF Managing Director and her staff responding to our question at the 2023 annual meetings said as much, but there is no indication that they are changing course. As we pointed out in our joint session calling for a new Eco Social contract, despite the IMF’s affirmations on the need for progressive taxation, their agreements often only mention Value Added Tax which is a regressive tax. Amidst a cost of living crisis, governments can’t continue to squeeze the same already squeezed lower middle class while ignoring taxing the wealthy.

We support a UN Framework Tax Convention to replace the OECD. It is key to finance public services. Africans have been demanding quality public services financed from progressive taxation and cubing illicit financial flows, and debt cancellation. Tanzania, for example could finance its social protection five times and Uganda could double its health sector budget if it curbed IFFs. In Africa, low tax and tax avoidance by multinational companies and wealthy individuals has cost us US$29 billion in education finance.
IMF’s Managing Director, Kristalina Georgieva, challenged the governors of the IMF to imagine the world in 2073. Climate change is often spoken about during these meetings with buzzwords like green transition, people, and planet. However, beyond the buzzwords, what substantive action has come from these meetings? The IMF boasts of the Resilience Sustainability Trust (RST) to help with climate change and adaptation, loans which should have longer maturity and longer grace periods. However, ISER’s joint research with RECOURSE has shown, that the RST is merely a stop-gap measure. The IMF plays an even greater role in the countries affected most by climate change since many IMF borrowers are highly vulnerable to climate change and often least prepared and by setting their macro-economic policies, the IMF, determines what resources—both material and technical—are at their disposal to respond to climate change. The IMF’s own research shows that countries whose debt is at higher interest rates will struggle to finance the green transition. Read our joint research: The Debt – Fossil Fuel Trap: Why debt is a barrier to fossil fuel phase-out and what we can do about it out.

This is a critical inflection point. As the World Bank develops a new road map, it must be seen to actually help those it claims to serve. We can’t go back to business as usual with an economic model that solely prioritises growth at the expense of human rights, dignity, the environment and the equitable distribution of resources.
Africans, in August 2023, collectively penned their demands on public services in the Africa We Want: Reclaim Public Services Manifesto calling on governments to finance public services through progressive taxation, harnessing the Continent’s wealth including minerals. Public services ultimately embody the social contract between a government and its people and when governments in the global south have their hands tied by policies of the IMF/World Bank that are propagating privatization and weakening of public services through cuts in spending, this raises questions about the legitimacy of any government’s social contract with its people. In the Manifesto for public services in Africa, we assert that Africa is owed reparations not just from the resources extracted during and after colonialism but also from the climate burden it now faces yet it did very little to cause it. We remind states that public services are critical to tackling the ongoing climate and ecological crisis and investing in them can build communities resilience to climate change.

Join the Africa Coalition on Public Services and endorse the manifesto
Email: info@iser-uganda.org
Examining the Progress of the World Bank’s Commitment to Universal Social Protection
April 17, 2024 16:15-17:45 (DC Time) Location: WB I 2-250
Session Abstract: Despite its explicit commitment to supporting states to achieve universal social protection, the World Bank has consistently promoted poverty targeted programmes, as well as conditional cash transfer programmes and workfare. This panel will examine the implications of these policies and other approaches.

Moving Beyond Current Debt and Development Crisis: Solutions for Genuine Debt Sustainability
April 19, 2024 11:30 - 1:00 pm (DC Time) Location: IMF HQ2-03B-768B
Session Abstract: The debt crisis is no longer a risk but a reality in many countries. It is therefore key to restore debt sustainability in a way that it ensures governments capacity to guarantee human rights, gender equality and climate action while also looking at the crisis from a structural perspective. The panel will explore how to effectively solve this debt crisis considering it is as well a development crisis.
Join Here: https://imf.zoom.us/j/94507495058?pwd=THQxbHZ2N244L2dPS25PdWtIUFBmQT09

The Impact of IFC Investments in Education: The Accountability Gap and Lessons for Other DFIs
April 19, 2024 14:15-15:45 (DC Time). Location: WB I 2-220
Session Abstract: The World Bank Group is intensifying efforts to mobilize and scale up private investment and involvement in the delivery of its mission. However, recent reports from the CAO underscore the importance of reassessing the Bank's reliance on private actors in providing essential social services. Other DFIs across the world have mirrored the IFC's approach, potentially replicating the same accountability gaps observed at the IFC. The panel aims to delve into the CAOs new findings, their implications for other DFIs and explore how DFIs should respond in order to ensure human rights and effective remedy are upheld.

Navigating the Intertwined Debt and Climate Crises: Unveiling and Assessing Solutions
April 19, 2024 16.00-17.30 (DC Time) Location: IMF HQ2-03B-768B
Session Abstract: In this session, we will explore some of the solutions being proposed to address the debt-climate change trap that many Global South countries are facing, including Climate Resilient Debt Clauses and debt for climate/nature swaps, and interrogate what impact, if any, they are likely to have for Global South countries.
Join Here: https://imf.zoom.us/j/94113577233?pwd=WjNDUzBVc1NqdkJyTUtmsTH2VDRvUT09