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Ending 30 years of IMF Exceptionalism: A Call for an Accountability Mechanism at the International Monetary Fund

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This year marks the 30th anniversary of the World Bank's Inspection Panel (WBIP or Panel), created as the result of grass-roots and international pressure on the Bank to address the well-documented negative impacts on marginalised communities of the Bank-financed Narmada dam and similar projects.

The establishment of the world's first independent accountability mechanism (IAM) at the World Bank led to the creation of similar mechanisms at nearly all international financial institutions (IFIs), with the IMF an important exception. The establishment of the WBIP and other IAMs was a step-change in accountability, as previously IFIs were only accountable to shareholders and borrowers – as opposed to communities affected by their investments. That said, at the 75th anniversary of the Universal Declaration of Human Rights and the establishment of the international human rights system, IAMs remain severely constrained in their ability to ensure IFIs 'do no harm' and contribute, rather than negatively impact the ability of citizens to avail themselves of their human rights.

Strengthening accountability in an increasingly challenging world

The 30th anniversary of the WBIP takes place as the world struggles to respond to the polycrisis, exacerbated by the Covid-19 pandemic, the worsening impacts of climate change, and the wars in Gaza and Ukraine. Even excluding long-standing calls from the Global South and marginalised communities, more recent calls for reform of the financial and international 'development' systems predate the current post-pandemic difficulties and have not been limited to those who might be considered the 'usual suspects'. IMF Managing Director, Christine Lagarde underscored the need for a 'new multilateralism' in a 2014 speech in which she stressed the similarities of 2014 and 1914, highlighting "massive dislocation", a "world … rife with tension—rivalry between nations, upsetting the traditional balance of power, and inequality between the haves and have-nots".

Criticisms of and cautions about the perils of the current system, strongly supported by the policies of the World Bank, IMF and other IFIs, have also been voiced by other influential "establishment" thinkers such as Martin Wolf, the *Financial Times* chief economics commentator. In his book "*The Crisis of Democratic Capitalism"* Wolf argues that, particularly after the Great Financial Crisis of 2008 the low economic growth, declining prospects and rising inequality brought about by misguided policies conspired to threaten even 'consolidated democracies' via the rise of populist far-right moments as evidenced by victory of Donald Trump in the United States. The 2016 publication of an article titled *"Neoliberalism Oversold?"* in the IMF's *Finance and Development* publication further evidences the gathering doubts about the effectiveness and consequences of the predominant market-based approach to development that gained force after the fall of the Berlin Wall and Soviet Union and the 'end of history' in the late 1980s.

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Concerns about political and social instability raised in the last decade remain, if anything, more valid today. A May 2022 IMF assessment of global social unrest made clear that protests and social instability have once again gathered pace after a decline during the pandemic driven by curbs on mobility and mass gatherings. The assessment noted that while the causes of social unrest are complex, "steep price increases for food and fuel have been associated with more frequent protests in the past," adding that, "any rise in social unrest could pose a risk to the global economy's recovery, as it can have a lasting impact on economic performance."

The IMF's concerns are shared by political risk consultancy Verisk Maplecroft, whose June 2022 report stressed that "middle-income countries will bear the brunt of social discontent" arising from the current economic conditions. Additionally, a 2018 paper by Patricia Justino and Bruno Martorano found that, "Welfare spending led to reductions in conflict in Latin America between 1970 and 2010″, and that "increasing state capacity to provide social welfare programmes may improve political stability."

The dynamics described above, which result from an exacerbation of previous economic and human rights challenges triggered by the unequal recovery from the Covid-19 pandemic, questions about vaccine equity, and the war in Ukraine brought about revitalised calls for reform of the unjust international financial architecture, as evidenced by the Bridgetown Initiative. Alas, the demands for substantive governance reforms have been largely met by 'technical' and financial fixes, such as reforming multilateral development bank's capital adequacy framework, to meet a supposed development financing gap of trillions of dollars. Calls for the tripling of multilateral development finance to catalyse private sector co-financing – known as the Billions to Trillions agenda or "Cascade" approach reflected in the World Bank's Evolution Roadmap – evidence this drive, as outlined in a statement signed by 74 civil society organisations and academics highlighting the key issues with the renewed Cascade approach.

The social and political consequences of an increased reliance on private sector 'development' finance are particularly concerning in light of deepening within-country income and wealth inequality, which the 2022 World Inequality Report stresses "seem to be about as great today as they were at the peak of Western imperialism in the early 20th century" and related concerns about corporate capture of the states and the financialisation of development financed and the so-called Wall Street Consensus. In July 2021 several UN human rights experts released a joint statement warning of the specific threat financial speculation poses to the enjoyment of a range of human rights.

IAMs must adapt to address longstanding concerns, including those from massively increased MDB financing

The proposed tripling of multilateral development bank (MDB) finance, principally focused on de-risking private sector investments, coupled with proposals to delegate project approval to management, can be expected to significantly impact the effectiveness and workload of already understaffed and under-resourced IAMs, particularly given the expected increased focus on large-scale, regional mega-infrastructure projects and indirect lending instruments. A *Proposal for the evolution of the accountability roadmap* signed by organisations involved in supporting communities harmed by World Bank and other MDB projects clearly identifies the problem, stressing that, "Without reforms to the governance of WBG [World Bank Group] finance, new financing pursuant to the Evolution Roadmap risks not only continuing to cause the same environmental and social harm but also risks increasing that harm as more money in more areas is financed more quickly."

The above-mentioned push for a dramatic expansion of MDB lending and private sector involvement in 'development' must be considered within a broader historical context, which, the positive consequences resulting from the establishment of IAMs notwithstanding, is categorised by a persistent inability of accountability systems, as currently structured, to prevent and remedy human rights violations by MDBs, including the World Bank. The well-documented historic legacy of the negative human rights consequences of World Bank and other MDB lending and programmes significantly predates the current proposed MDB 'evolution' – as evidenced by the Narmada dam and other grass-roots efforts to protect the rights of marginalised communities. Former UN Special Rapporteur on Extreme Poverty, Philip Alston, famously called the World Bank a "human rights-free zone" in 2015. In 2019 the Tunisia's Truth and Dignity Commission sent memoranda to the World Bank and the IMF, as well as to France, seeking reparations for Tunisian victims of human rights violations.

The lack of systems within IFIs to meet their international human rights obligations, which arise from the UDHR, to provide remedy to affected communities can be expected to become more acute. The fact that the Evolution Roadmap foresees a major expansion in development policy finance (DPF), which has significant impact on countries' legislative and other regulatory and social service provision systems but falls outside the World Bank's environmental and social framework (ESF), is additional cause for concern. While progress in this regard could be made by bringing DPF and Program for Results lending within the ESF, the current Roadmap process fails to contemplate this urgently needed improvement in accountability.

Progress in IFI accountability requires the establishment of an IAM at the IMF

The struggle for improved IFI accountability and compliance with international human rights obligations in the context of the 75th anniversary of the UDHR is significantly challenged by the fact that the IMF, a pivotal actor in the international architecture and international response to the multiple challenges currently facing the globe, lacks an IAM. This is particularly concerning given the expansion of the Fund's work to include, for example, gender and climate change, and the proliferation of its programmes in the context of increased debt burdens and a challenging global economic environment, where Fund-mandated austerity and other policies are having acute social impacts.

In 2021, as the consequences of the uneven recovery from the Covid-19 pandemic became increasingly apparent, Attiya Waris, UN Independent Expert on foreign debt, other international financial obligations and human rights wrote a letter to the IMF Managing Director, Kristalina Georgieva stressing that the IMF's role in the Covid-19 recovery and increasing leadership on climate change, "unavoidably raises important human rights considerations." Addressing the accountability issue directly, the Independent Expert noted that, "the IMF, like all actors engaged in addressing these complex challenges, inevitably operates on the basis of imperfect knowledge and in dynamic and complex environments. This suggests that, despite their best efforts, IMF staff…may sometimes err. While this is completely understandable, it raises concerns about the limited IMF accountability to those who may be adversely affected by its operations.” The Independent Expert, concludes by emphasising the need for international organisations, including the IMF to, “have publicly available policies and procedures that can guide staff when dealing with complex environmental and social issues; and the need … to have an independent accountability mechanism, like an independent ombudsman, that can provide non-state actors who claim that they have been harmed or threaten[ed] with harm by the organization’s failure to comply with its own policies and procedures with a means to hold the organization accountable for this non-compliance.” As outlined by its advocates, one of the many benefits of the establishment of an IAM at the IMF is that it would require that the organisation develop empirically robust and transparent policies to guide staff in undertaking what are undoubtedly complex and delicate operations. The development and publication of these policies would in turn greatly increase the IMF’s legitimacy precisely at a time when its role is once again front and centre of global developments and in a context of the wider erosion of the multilateral system.

The call for the establishment of an IAM at the IMF is particularly pressing in light of a 2022 working paper by Isabel Ortiz and Matthew Cummings titled *A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25*, which warns of the “dangers of a post-pandemic austerity shock, far more premature and severe than the one that followed the [2008] global financial crisis.” The paper underscores in particular that, “analysis of IMF expenditure projections shows that the adjustment shock is expected to impact 143 countries in 2023 in terms of GDP or 85% of the world population” and identifies eleven types of austerity measures being considered by governments, often with the support of or under the direction of the IMF that “will have negative social impacts on their populations, specially harming women.” Finally, of particular relevance to the discussion concerning accountability to communities and people impacted by IFI policy, the paper also details a number of specific policies that could be pursued instead of austerity, thus diminishing the negative human rights consequences of IMF programming.

Alas, despite some promising rhetoric and positive steps from the Fund on social protection floors, the evidence of the negative human rights consequences of IMF programming continues a well-documented trend, with Human Rights Watch reporting in April 2022 that its analysis of 16 countries, including of relief specific to the pandemic, “found that targeted programs excluded millions of people who were in need of social security to protect their rights, leaving them without adequate food and with other problems.” Similarly, a 2022 Oxfam analysis of IMF programming found that, “13 out of the 15 IMF loan programs negotiated during the second year of the pandemic require new austerity measures such as taxes on food and fuel or spending cuts that could put vital public services at risk. The IMF is also encouraging six additional countries to adopt similar measures.” This analysis was complemented by other Oxfam research that demonstrated that “43 out of 55 African Union member states face public expenditure cuts totaling $183 billion over the next five years” greatly endangering the chances these states will achieve the UN’s Sustainable Development Goals, and, indeed, meet their international human rights obligations.

The IMF’s counter-productive and unnecessary surcharges policy, which imposes additional interest charges on IMF loans in accordance to their size and duration, has also been heavily criticised for its detrimental human rights consequences. In May 2021 former UN Independent

Expert on Debt and Human Rights, Juan Pablo Bohoslavsky, published an open letter signed by the Independent Expert on Debt and Human Rights at the time, among others, stressing that the policy violates international human rights law as it discriminates against certain states without legitimate reason and "undermine[s] the borrower State's ability to respect, protect and fulfil its human rights obligations." A subsequent August 2022 article in the periodical *Development* by Bohoslavsky, Cantamutto and Clérico details how the policy threatens the right to development.

The surcharges policy has been the target of a well-coordinated global civil society campaign, with an April 2022 letter signed by over 250 global civil society organisations and individuals calling for its immediate elimination. Yet the policy persists. In fact the IMF refuses to engage with the issue or respond to direct questions and concerns raised by the UN Human Rights Council. On August 2022 nine UN Independent Experts and Special Rapporteurs sent a letter under the Special Procedures of the UN Human Rights Council to IMF Managing Director Kristalina Georgieva requesting a response to specific apprehensions outlined in the letter. The Managing Director has to date disregarded the letter.

Another pivotal area that would greatly benefit from the establishment of an IAM and related policy clarity, and transparency is the methodology used to conduct the IMF's Debt Sustainability Analyses (DSAs), which fundamentally impact the nature of debt relief granted, or not, to states under severe fiscal pressure and thus their capacity to meet their international human rights obligations. The UN Independent Expert on Debt and Human Rights in his 2016 report, prior to the significant fiscal pressures and increased debt vulnerabilities resulting from the Covid-19 pandemic and recent capital outflow from the Global South, noted his concern that "a new global wave of austerity and debt vulnerabilities in many developing countries that challenges progress on human rights is again increasing…" and argued that "the current review of frameworks for debt sustainability analysis should be based on a more comprehensive understanding of debt sustainability, incorporating human rights and the social and environmental dimensions of sustainability." The urgency of this call has significantly increased with the unequal recovery from the Covid-19 pandemic; a 2022 Oxfam report, for example, stressed that "Africa's debt servicing is almost three times as much as education spending, six times health spending, 22 times social spending and 236 times more than climate adaptation spending."

The establishment of an IAM would provide the IMF an opportunity to heed long-standing civil society calls for the institution to develop a human rights policy to underpin all of its programming. An IAM could also ensure IMF policy and programmes are consistent with *The Principles for Human Rights in Fiscal Policy* and benefit from the application of the UN *Guiding principles on human rights impact assessments of economic reforms*.

As the shareholders of the World Bank, IMF and other IFIs celebrate the establishment of the international human rights system, they must go beyond words. Shareholders must demand that the World Bank, IMF and other IFIs establish human rights policies, integrate *ex ante* and *post hoc* human rights impact assessments into all of their programmes, and ensure their IAMs are adequately resourced and structured to enable them to meet their human rights obligations by providing remedy and accountability to communities affected by IFI project, policy lending and IMF programmes.