

MISSING RECEIPTS:

WHERE DID INTERNATIONAL FINANCIAL INSTITUTIONS' COVID-19 FUNDING GO?





The analysis is based on case studies written by:



About this project

International Financial Institutions (IFIs) have designated billions of dollars to respond to the COVID-19 pandemic and associated social and economic crises. Yet, there is a concerning lack of transparency on how these funds were spent and what impacts the pandemic response has had.

This report attempts to piece together the “missing receipts” from the IFI-supported COVID-19 response and identifies concrete recommendations for existing interventions as well as critical questions for the ongoing pandemic response, the recovery and any future global crisis financing. It draws on findings of several reports and case studies, which examine the role of IFIs during the pandemic, the conditions under which IFI-funded projects were designed and implemented, and the local and national impact of their coronavirus response projects.

There are substantial gaps in tracking and disclosure of COVID-19-related financing and many IFIs do not clearly identify which loans and interventions are pandemic-related. To fill these gaps, the case studies and this report went beyond information available on IFIs’ websites. Researchers examined IFI projects which included COVID-19 in their title, and projects which pertain to pandemic response or utilize the pandemic as a rationale. Several case studies drew on media reports as well as interviews or surveys of IFIs, governments, national and local institutions, medical personnel, individuals impacted by the pandemic and intended beneficiaries of government response programs. Please refer to each case study or analysis for a description of the specific methodology utilized therein.

The case studies are compiled and hosted on an interactive web portal.¹ Most of the reports were developed by members and partners of the Coalition for Human Rights in Development, including a series of country-level analyses that were supported by the Response and Vision Fund of the FORGE group of funders and by groups working with the Early Warning System. We invite social movements, researchers and civil society groups to submit additional reports to the web portal, and to use the collection to identify additional trends and potential partners.

¹ See: <https://rightsindevelopment.uwazi.io/en/>

INTRODUCTION

In 2020, as COVID-19 began to ravage countries around the world, governments found themselves facing a public health emergency and a socioeconomic crisis of unparalleled measure. Many governments turned to International Financial Institutions (IFIs) like the World Bank, Asian Development Bank (ADB), Inter-American Development Bank (IDB) and International Monetary Fund (IMF) to secure financing and technical support to weather the storm. IFIs and economic experts urged countries to spend and borrow, and they did. At the same time, civil society groups raised concerns about IFIs' role in the pandemic response, the risk of corruption and mounting debt, and issued calls for a human rights-based approach.²

Today, communities and civil society groups find themselves left in the dark regarding how much their governments have secured from IFIs, under what conditions, how these funds were utilized, whether they had the desired impact on public health and social welfare, and what these agreements portend for the ability of countries to recover from the ongoing crisis and guarantee human rights.

TODAY, COMMUNITIES AND CIVIL SOCIETY GROUPS FIND THEMSELVES LEFT IN THE DARK REGARDING HOW MUCH THEIR GOVERNMENTS HAVE SECURED FROM IFIS, UNDER WHAT CONDITIONS, AND HOW THESE FUNDS WERE UTILIZED.

To address this gap, civil society groups and researchers around the world are investigating the role of IFIs in their nation's COVID-19 response and its impacts. These studies paint a complicated if not troubling picture. Many countries welcomed the additional financing for critical medical equipment and economic support. However, the support from IFIs for social protection has

² See e.g. "IMF faces wave of calls to suspend loan disbursements in Africa", Bretton Woods Observer, July 13, 2021, <https://www.brettonwoodsproject.org/2021/07/imf-faces-wave-of-calls-to-suspend-loan-disbursements-in-africa/>; "Statement to Development Finance Institutions regarding Covid-19 response", Coalition for Human Rights in Development, May 18, 2020, <https://rightsinddevelopment.org/news/development-finance-covid19-human-rights>

been only a fraction of what is needed.³ Importantly, case studies show a gross lack of transparency in terms of where IFI support went during the pandemic, and lack of participation in making these critical decisions at national and local levels. This lack of transparency and participation undermined the effectiveness of many response programs, with critical funds and services failing to reach their intended beneficiaries or being funneled off in corruption and malfeasance.⁴ In many cases, IFI financing came attached with policy reform conditionalities that subverted democratic processes and placed groups already vulnerable to the pandemic at greater risk. Many are asking now, how will their governments pay for these new debt obligations, what social programs will be cut in exchange, and is there a better way to weather future crises?

Today, as countries begin to grapple with the long term effects of the pandemic, with millions more individuals living in poverty, even more entrenched inequality, a mounting economic and debt crisis, and new waves of COVID-19 continuing to make the news, many are looking to IFIs to play a super-sized role in the recovery.⁵ What we can see from studies of specific projects and country experiences, however, raises serious concerns and important questions as to whether, and under what conditions, IFI financing is an appropriate solution for the ongoing crisis and for possible future global emergencies.

³ "Towards a People's Recovery: Tracking Fiscal and Social Protection Responses to COVID-19 in the Global South", Financial Transparency Coalition, April 2021, <https://financialtransparency.org/wp-content/uploads/2021/04/FTC-Tracker-Report-FINAL.pdf>.

⁴ See e.g. Palacios, D, "Estudio de consultoría realizado por encargo del CEDLA para realizar un análisis sobre los préstamos del BID en la Región: caso Bolivia referidos al COVID-19", CEDLA, May 14, 2021; "We are all vulnerable here: Kenya's Pandemic Cash Transfer Program Riddled With Irregularities", Human Rights Watch, 2021, <https://www.hrw.org/report/2021/07/20/we-are-all-vulnerable-here/kenyas-pandemic-cash-transfer-program-riddled#>.

⁵ See e.g. Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Yuefen Li "International debt architecture reform and human rights" <https://undocs.org/A/76/167>; and Richard Samans, "Financing Human-Centred COVID-19 Recovery and Decisive Climate Action Worldwide: International Cooperation's 21st Century Moment of Truth" International Labor Organization Working Paper 40, 7 October 2021, https://www.ilo.org/global/publications/working-papers/WCMS_821931/lang-en/index.htm.

FINDINGS

IFIs and governments have failed to disclose “receipts” of COVID-19-related financing and activities.

It is difficult to know what IFI funds were part of the COVID-19 response and how they have been utilized at the national and local level. For the most part, both IFIs and governments have failed to track and communicate this data accurately, if at all.

At a global level, the IMF has pledged 1 trillion to fight the pandemic, and deployed 150 billion USD.⁶ The Early Warning System COVID-19 DFI Tracker which tracks 15 development banks’ disclosed financing, identified 1,511 projects as of January 2022, totaling 166.70 billion USD, with the European Investment Bank and World Bank topping the list in terms of money allocated.⁷

Tracking and monitoring is even more difficult because COVID-19-related support from DFIs has included reallocation of existing funds as well as new financing. What we can see is that IFI support came in the form of project-specific loans, general budgetary and balance of payments support, grants, policy advice, technical assistance and capacity development. Of this mix, the majority of funding came in the form of regular or concessional loans.⁸ Of the budgetary support provided by the World Bank, for instance, less than 10% was through grants.⁹

6 “The IMF’s response to COVID-19”, International Monetary Fund, <https://www.imf.org/en/About/FAQ/imf-response-to-COVID-19#Q1>.

7 The Early Warning System Covid DFI Tracker is an interactive map that tracks projects disclosed by 15 development banks as part of their operational response to COVID-19, based on the bank websites and disclosures, including project documents. It includes proposed projects that explicitly contain the terms “COVID” or “coronavirus” in their title, project description, or as a rationale in the project documents. It includes both proposed and active projects that are part of the banks’ COVID-19 relief facilities and response, where the project list has been centralized and disclosed. For methodology see bit.ly/COVID19_Tracker.

8 Richard Samans, “Financing Human-Centred COVID-19 Recovery and Decisive Climate Action Worldwide: International Cooperation’s 21st Century Moment of Truth” International Labor Organization Working Paper 40, 7 October 2021, https://www.ilo.org/global/publications/working-papers/WCMS_821931/lang-en/index.htm.

9 Chiara Mariotti, “Development Policy Financing in the World Bank’s COVID-19 response”, Eurodad, September 29, 2021,

Lack of due diligence and oversight on fast-tracked projects put people at risk.

During the pandemic, many IFIs utilized a rapid disbursement window, or “fast-tracking”, at the same time as governments in many countries were waiving environmental impact assessments and regulations as well as consultation requirements.¹⁰ While shortening disbursement timelines for emergency response can be justified, due diligence, especially regarding human rights impacts, remains essential. Researchers, however, found that socio environmental risk ratings for projects were often missing or under assessed.

WHILE SHORTENING DISBURSEMENT TIMELINES FOR EMERGENCY RESPONSE CAN BE JUSTIFIED, HUMAN RIGHTS DUE DILIGENCE REMAINS ESSENTIAL.

Out of 123 projects analyzed in **Brazil**, only 61 (49.6%) contained a socioenvironmental risk classification. Without an accurate risk classification, social and environmental risks are left unmitigated and information disclosures, consultations, and other safeguards are not required.¹¹

In **Bolivia**, COVID-19-related loans and technical assistance projects financed by the Inter-American Development Bank (IDB) were all classified as minimum risk or financial intermediary, including a cash transfer program for vulnerable groups. This is despite the fact that the country was in the midst of not only a pandemic and economic crisis, but a political crisis, raising

https://www.eurodad.org/the_policy_lending_doctrine.

10 See e.g. “DFIs financing in Argentina during the pandemic: COVID-19 projects and transparency shortcomings”, Fundación Ambiente y Recursos Naturales, 2021, https://farn.org.ar/wp-content/uploads/2021/11/DOC_COVID-PROJECTS-V3-1.pdf; “Country Assessment Report COVID-19 recovery loans in India”, Growthwatch India, 2021.

11 “Investments of International Financial Institutions in Brazil in 2020: Was there assistance to combat the COVID-19 pandemic?”, Instituto de Estudos Socioeconômicos, Instituto Maira, and International Accountability Project, <https://www.inesc.org.br/en/investments-of-international-financial-institutions-in-brazil-in-2020/>.

substantial risk of corruption and lack of transparency. IDB funds that were slated to go toward the purchase of critical COVID-19 medical equipment were misspent. IDB announced an investigation into corruption, but meanwhile, the case paralyzed operations of the health agency for months in the midst of the pandemic.¹²

In **Argentina**, in a project for which the IDB redirected 490 million USD in infrastructure financing to COVID-19 response, the entire process for project approval took less than two months, raising serious doubts as to whether due diligence was conducted. Researchers note that “it is striking that the [social and environmental assessment] could have been published only three days after the public consultations were carried out, which would imply, in practice, that they only had two days to incorporate the suggestions and recommendations expressed in the consultations, if they actually incorporated the suggestions.”¹³

IFIs turned a blind eye as civil society and key stakeholders were left in the dark and left out.

In an atmosphere where many governments were actively suppressing information about the pandemic and restricting freedom of the press and civic watchdog groups, IFIs failed to ensure a basic degree of transparency and participation.¹⁴ Not only did IFI-financed programs fail to consult with the public at large and with those most vulnerable to the pandemic, but in multiple cases they excluded health experts and medical associations, resulting in adverse impacts on health and safety as well as accountability. While governments argued that consultations with civil society were impossible given the lockdown, provisions could have been made for virtual consultations with key populations and civil society groups in an inclusive and accessible manner.

12 Palacios, D, “Estudio de consultoría realizado por encargo del CEDLA para realizar un análisis sobre los préstamos del BID en la Región: caso Bolivia referidos al COVID-19”, CEDLA, May 14, 2021,

13 “DFIs financing in Argentina during the pandemic: COVID-19 projects and transparency shortcomings”, Fundación Ambiente y Recursos Naturales, 2021, https://farn.org.ar/wp-content/uploads/2021/11/DOC_COVID-PROJECTS-V3-1.pdf.

14 See e.g. “Unhealthy Silence: Development banks’ inaction on retaliation during COVID-19”, Coalition for Human Rights in Development, Article 19 and Ifex, July 2021, <https://rightsinddevelopment.org/unhealthy-silence/>.

IFIS FAILED TO ENSURE A BASIC DEGREE OF TRANSPARENCY AND PARTICIPATION

In a World Bank-financed health project in **Morocco**, a key social and environmental risk was the large amount of medical waste from COVID-19 testing, treatment, and protective equipment. While the Bank claimed to have consulted with civil society, no consultations were held with groups working on project-related issues of public health and safety. Project documents were also not available in Arabic. Importantly, there was no information on the protocol for COVID-19 medical waste, and this failure put health workers at risk. A survey of public hospital staff revealed significant dysfunction in the management of medical waste, including the lack of protection for staff.¹⁵

In **India**, the Asian Development Bank (ADB) and Asian Infrastructure Investment Bank (AIIB) supported a government life insurance program for doctors who died of COVID-19 as part of their support for the pandemic response. Researchers, however, found that the program was insufficient and difficult to access, with people being denied eligibility and numbers that do not add up. Researchers point to an alarming lack of transparency and active suppression of information on the part of the government: “from the number of people infected by the virus, to the number of people who succumbed and the number of people who have been recipients of welfare schemes of the government and amount spent.” Neither ADB nor AIIB have published any monitoring reports at the time of writing.¹⁶

In **Yemen**, given the ongoing civil war, World Bank support for COVID-19 emergency response was channeled through the World Health Organization as a 26.9 million USD grant. While it should be noted that the use of a grant rather than a loan was critical for the Yemeni population, the project failed to meet its potential due to a lack of transparency and stakeholder engagement. In a survey of the Ministry of Health and relevant public entities such as the quarantine and isolation centers and the National Coronavirus Committee, 89% responded that there was no engagement of any kind in planning, implementation, or monitoring and 66 % stated that there is no access to

15 “A report on the management of medical and pharmaceutical waste by hospitals in the Rabat-Sale Kenitra region as part of the World Bank-funded healthcare improvement project”, Association Talassentane pour l’Environnement et le Développement and Arab Watch Coalition, January 2021

16 “Country Assessment Report COVID-19 recovery loans in India”, Growthwatch India, 2021

project information. The lack of coordination with both government and civil society led to weak implementation, including failure to implement environmental and social commitments and significant delays in delivery of COVID-19 testing equipment and supplies.¹⁷

In **Jordan**, teachers, parents, students, and the national teachers' union were excluded from consultations around the COVID-19 restructuring of a World Bank-financed education program. In July 2021, the government raided the union's offices across the country, arrested its board members and ordered it shuttered in a dispute over wages. The World Bank declined to comment on the illegal closure of the union and accusations by local CSOs that the prolonged closure of schools against the recommendations of public health experts was a union-busting tactic.¹⁸

In **Egypt**, the World Bank financed two loans for the health sector response to COVID-19, totaling 57.2 million USD. While World Bank documents assert that the government "is intensifying its information sharing process and the engagement with stakeholders," media reports indicate otherwise. At the start of the pandemic, and while preparation for the Bank's new loan was underway, the government arrested doctors who spoke out. More recently, it banned filming or photography inside COVID-19 medical facilities.¹⁹

IFI support for social protection was only a fraction of overall support, and insufficient to meet the need, while a disproportionate amount of IFI funds went to benefit the private sector

IFI-financed support to governments to implement cash transfers and other programs to support households with lost income and basic essentials, while critically needed, was inadequate and in many cases suffered

17 "Report on the Implementation of IDA's Covid-19 Response Grant for Yemen," Yemen Organization for Promoting Integrity, Yemeni Observatory for Human Rights, and Arab Watch Coalition, December 2020.

18 "Assessment Study on the Interventions of the World Bank in Support to Jordan's Accelerated Education Sector Reforms and Response to COVID 19 Crisis", Phenix Economic and Informatics Studies and Arab Watch Coalition, June 2021

19 "Snapshot Review of Two World Bank COVID-19 Health Support Programs in Egypt", Shamseya for Innovative Community Healthcare Solutions and Arab Watch Coalition, August 2021.

from significant shortcomings. According to the United Nations Independent Expert on debt, "despite the public messaging by the World Bank and the International Monetary Fund (IMF) to spend, their own commitments have fallen far short of promises and needs."²⁰

While most IFI support was delivered to countries rather than to companies, that is not the full story. Government COVID-19 response funding in general predominantly benefited the private sector. The Financial Transparency Coalition's Covid Bailout Tracker, for instance, found that in eight of nine countries surveyed, an average of 63 percent of announced COVID-19 funds went to large corporations, while only a quarter of funds went towards social protection.²¹

GOVERNMENT COVID-19 RESPONSE FUNDING IN GENERAL PREDOMINANTLY BENEFITED THE PRIVATE SECTOR.

As of November 2021, the Early Warning System Covid DFI Tracker found that 69% of development banks' funding globally went to a public sector client, with 31% going to the private sector²². It is important to note, however, that the private sector was a prominent indirect beneficiary even in support to public budgets. While the health sector received the most financing of any single sector, it only received 25% of total financing. The banking and finance sector received the next highest amount, in close tie with law and government, as well as SMMEs and midcaps, each at around 15%. Social/Vulnerable households on the other hand, only received 7.3% of funds, and only 1.5% went to water and sanitation.²³ Similarly, of the World Bank's Development Policy Operations implemented between January 2020 and April 2021, Public Administration and Social Support

20 Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Yuefen Li "International debt architecture reform and human rights" <https://undocs.org/A/76/167>.

21 "Towards a People's Recovery: Tracking Fiscal and Social Protection Responses to COVID-19 in the Global South", Financial Transparency Coalition, April 2021, <https://financialtransparency.org/wp-content/uploads/2021/04/FTC-Tracker-Report-FINAL.pdf>.

22 See: bit.ly/COVID19_Tracker; See also "Never let a pandemic go to waste: How the World Bank's Covid-19 response is prioritising the private sector", Eurodad, October 13, 2020, https://www.eurodad.org/never_let_a_pandemic_go_to_waste.

23 Early Warning System COVID-19 DFI Tracker, https://public.tableau.com/app/profile/iaptableau/viz/EarlyWarningSystemCOVID-19PrjectsbyDevelopmentBanks_16049749996170/Main?publish=yes.

were the target of the most DPOs (79 and 53 out of 90 total), but Health (26 out of 90) and Water and sanitation (7) only represented a fraction of the total, significantly below the Financial sector (41 out of 90).²⁴



Interactive infographics available in the website of the [Early Warning System Covid DFI Tracker](https://bit.ly/COVID19_Tracker): https://bit.ly/COVID19_Tracker

Social protection schemes and economic support often excluded persons and groups in the most vulnerable situations, including informal workers, women, migrants, persons with disabilities, and Indigenous Peoples.

Much of the pandemic response by national governments was meant to provide a safety net for those impacted by the pandemic, the lockdown, and the related economic downturn. While many IFIs stressed the need to target “the most vulnerable”, in many cases these programs were designed without sufficient attention to ensuring universality and accessibility, leaving out marginalized groups and often those most susceptible to the effects of the crisis.

MANY IFIS-FUNDED PROGRAMS WERE DESIGNED WITHOUT SUFFICIENT ATTENTION TO ENSURING UNIVERSALITY AND ACCESSIBILITY

In **Peru**, the IDB financed a project to strengthen the national social protection system, boosting access to unemployment benefits and increasing the formality of the labor market. However, in Peru, over 75% of the labor force is informal, with rural areas at over 96%. In the emergency decree approved within the framework of the project, subsidies were directed at private formal employers, leaving out the majority of the population, and the most vulnerable.²⁵

In **India**, within the ADB and AIIB-supported government response, women were excluded from both a cooking fuel distribution program and even a cash transfer program specifically for women, due to requirements that recipients have a bank account. Less than 50% of women below the poverty line in India have a bank account in their name.²⁶

In **Lebanon**, the World Bank approved the repurposing of a 120 million USD healthcare project to respond to the pandemic. While the loan targeted specific groups

24 Chiara Mariotti, “Development Policy Financing in the World Bank’s COVID-19 response”, Eurodad, September 29, 2021, https://www.eurodad.org/the_policy_lendingDoctrine.

25 Cotrina, P. y Alegre, A., “Préstamos de las instituciones financieras de desarrollo en la región - Caso Perú”, Derecho, Ambiente y Recursos Naturales, 2021.

26 “Country Assessment Report COVID-19 recovery loans in India”, Growthwatch India, 2021

vulnerable to the pandemic, it lacked clear provisions to ensure that health services are accessible for persons with disabilities. While virtual consultations were held with civil society groups, persons with disabilities and their organizations were not included.²⁷

In **Bolivia**, IDB-financed projects, including cash transfer programs to support groups in vulnerable situations, failed to address the unique reality of Indigenous Peoples, many of whom live in remote territories without access to government services. Indigenous Peoples' organizations reported an inability in accessing benefit programs.²⁸

Lack of transparency and accountability led to dysfunction and corruption in IFI-financed COVID-19 relief, and in some cases cost lives.

In many countries, the state of emergency together with the lockdown restrictions created the perfect conditions for malfeasance and corruption. This was exacerbated by the lack of transparency from both governments and IFIs, and the failure of IFIs to include effective monitoring mechanisms.

In **Iraq**, the World Bank reallocated 59.4 million USD in infrastructure and public services financing for procurement of medical equipment and training. Researchers found that no project documents on the COVID-19 response were disclosed and World Bank documents do not mention COVID-19-related activities. The lack of information has made it difficult to track the implementation of the project, and requests for information from the project team were ignored. Investigation with local stakeholders failed to produce any evidence that promised ambulances and medical equipment were actually procured.²⁹

27 "Inclusivity examination of the World Bank Emergency Response to COVID19 in Lebanon", Lebanese Union for People with Physical Disabilities and Arab Watch Coalition, December 2020

28 Palacios, D, "Estudio de consultoría realizado por encargo del CEDLA para realizar un análisis sobre los préstamos del BID en la Región: caso Bolivia referidos al COVID-19", CEDLA, May 14, 2021

29 "Research Paper on the Monitoring, the Follow-up and the Assessment of the World Bank's Covid-19 Emergency Response in Iraq", The Organization of Women and Children and Arab Watch Coalition, 2021

In **India**, an ADB and AIIB-supported grain distribution program was plagued with dysfunction and irregularities. According to news reports, amid growing rates of starvation, government claims about the amount of grain distributed and the amount of money spent were significantly inflated. "Not only was the grain provided through [the program] far less than what was promised, a complete lack of planning and haphazard decision-making also resulted in delays and large-scale exclusion in distribution of the grain." Most notably, grain designated for migrants, who were possibly the hardest hit by the lockdown, was never distributed.³⁰

In **Kenya**, many of those households eligible for the cash transfer program supported by the African Development Bank and the IMF never received support. Researchers identified widespread corruption and favoritism in the program's implementation that left out large numbers of people living in informal settlements.³¹

In **Bangladesh**, corruption and mismanagement in the IFI-supported COVID-19 response has cost lives. Researchers report that low-quality protective equipment was procured for healthcare workers. "Many doctors became infected and died, making Bangladesh's doctors' mortality rate the highest in the world." Doctors who raised concerns about the protective equipment have been subject to retaliatory actions. The government has also criminalized journalists and activists who have exposed malfeasance and corruption in the COVID-19 response.³²

In **Egypt** tests of the grievance mechanism utilized by a World Bank-financed project revealed a general hotline that either disconnects or refers callers to a website that is difficult to maneuver. When a researcher did receive a reply two months after the complaint was filed, the response was not informative and it rather seemed intended to deter the complainant from following through with the grievance process.³³

30 "Country Assessment Report COVID-19 recovery loans in India", Growthwatch India, 2021

31 "We are all vulnerable here: Kenya's Pandemic Cash Transfer Program Riddled With Irregularities", Human Rights Watch, 2021, <https://www.hrw.org/report/2021/07/20/we-are-all-vulnerable-here/kenyas-pandemic-cash-transfer-program-riddled#>.

32 Country Assessment Report on COVID-19 Recovery Loans Provided by Bilateral and Multilateral Financial Institution in Bangladesh, Bangladesh Working Group on External Debt, Change Initiative and NGO Forum on ADB, August 2021

33 "Snapshot Review of Two World Bank COVID-19 Health Support Programs in Egypt", Shamseya for Innovative Community Healthcare Solutions and Arab Watch Coalition, August 2021

An analysis of IMF pandemic support to **Egypt, Nigeria, Ecuador, and Cameroon** found that while the IMF secured transparency commitments that spurred all four governments to publish information about their spending and contracts, the amount, accessibility, and quality of the disclosed information varied widely and in none of the countries was it adequate for meaningful oversight.³⁴ In Nigeria, for instance, the government has so far failed to disclose beneficial ownership information for companies receiving government funds for COVID-19 response, and has not adequately published data on how COVID-19 funds have been spent.³⁵

IFIs' neoliberal prescriptions made countries more vulnerable to the pandemic, yet the institutions continue to push policy reforms and conditionalities that harm those living in poverty or otherwise marginalized.

Many developing and middle income countries went into the pandemic already in a state of vulnerability born out of neoliberal prescriptions and debt obligations that hollowed out the public sector, privatized basic services, eliminated social protection programs, flexibilized labor markets and enabled corporate capture. IFIs have neither taken responsibility for these actions and the resulting poverty and inequality, nor have they changed course. Today IFIs vigorously promote the “private sector first” paradigm, focusing on leveraging private investment rather than supporting countries in rebuilding state capacity.

The World Bank and other IFIs have utilized the pandemic and their outsized influence on cash-strapped nations to secure the adoption of policy reforms and austerity measures that actually harm women, the poor, and other marginalized groups. The World Bank

34 “IMF: Scant Transparency for Covid-19 Emergency Loans: Anti-Corruption Measures a Step Forward, but Weak Implementation”, Human Rights Watch, March 30, 2021, <https://www.hrw.org/news/2021/03/30/imf-scant-transparency-covid-19-emergency-loans>.

35 “Between Hunger and the Virus: The Impact of the Covid-19 Pandemic on People Living in Poverty in Lagos, Nigeria”, Human Rights Watch and Justice & Empowerment Initiatives - Nigeria, 2021, https://www.hrw.org/report/2021/07/28/between-hunger-and-virus/impact-covid-19-pandemic-people-living-poverty-lagos#_ftn269.

president has stated that “[c]ountries will need to implement structural reforms” for the recovery and that “[f]or those countries that have excessive regulations, subsidies, licensing regimes, trade protection or litigiousness as obstacles, we will work with them to foster markets, choice and faster growth prospects during the recovery.”³⁶

In the **Philippines**, the national health system has suffered decades of neglect, compounded by corruption and neoliberal policies favoring the privatization and commercialization of public services. The ADB’s pandemic response overlooked this reality and instead used the same neoliberal logic to diagnose the challenges facing the health system as simply a lack of finance. Researchers point out that without a governance system, the influx of ADB financing didn’t deliver promised results. Instead, they cite massive corruption around government procurement of medical supplies, unexplained losses of the Philippine Health Insurance Corporation, health care workers who were not paid their risk allowance, and inadequate government hospitals.³⁷

In **Mozambique**, the country has a long history of IFI-imposed austerity. Today, World Bank investment is equivalent to the national budget. Researchers describe how the World Bank’s attempt to outsource social protection payment systems to private financial service providers can be seen as an expropriation of state functions, coupled with the privatization of state assets. They also describe how the Bank attempted to use the pandemic to fast-track the collateralization of land, a move that would be devastating for women and other poor or marginalized farmers. As the researchers conclude, the COVID-19 pandemic has created an opportunity for the World Bank to fast-track financialization under the guise of transparency, efficiency, and effectiveness³⁸

36 Remarks by World Bank Group President David Malpass on G20 Finance Ministers Conference Call on COVID-19, March 23, 2020, available at <https://www.worldbank.org/en/news/speech/2020/03/23/remarks-by-world-bank-group-president-david-malpass-on-g20-finance-ministers-conference-call-on-covid-19>.

37 Freedom from Debt Coalition, December 2021. Philippine anti-COVID19 fight: Where is the caring for the people?”, Freedom from Debt Coalition, December 2021.

38 Edgar Barroso, Ruth Castel-Branco and Bonaventura Monjane, “Fast-tracking Financialization: International Financial Institutions’ Responses to the Covid-19 Pandemic,” (ALTERNACTIVA - Ação Pela Emancipação Social), November 2021.

Similarly in **Uganda**, researchers point out that loans secured from the World Bank and IMF during the pandemic came in exchange for the adoption of policy and institutional reforms. Researchers describe how the IFIs' influence included "prescriptions for government to take a hands-off approach to the country's development and to place greater priority on the oil and gas sector." The fast-tracked extractivist projects supported by IFIs within the country's oil and gas sector have had major negative impacts on the livelihoods of surrounding local communities and led to massive physical and economic displacement, with women the most adversely affected.³⁹

IFIs' COVID-19 response risks driving countries further into debt crisis, undermining any chance for a sustainable recovery.

IFI loans have contributed to skyrocketing public debt for developing and middle income countries. In order to meet debt obligations, governments are increasingly adopting austerity measures and cuts to social spending.

In 2020, **Bangladesh** received around 2.0 billion USD from the IMF and other multilateral development partners, a large part of which was meant for pandemic response. Yet researchers point out how Bangladesh's growing foreign debt has undermined both its COVID-19 response and the possibility of recovery. "Fiscal constraints have limited the government's ability to protect the population." Currently, for each US dollar paid to creditors, Bangladesh can only afford to invest 41 cents on public education and healthcare. By 2023, 98% of government revenues will go to debt payments.⁴⁰

An Oxfam analysis of IMF COVID-19 support to **85 countries** found that 85% of loan agreements indicate government plans to undertake austerity measures once the pandemic health crisis abates.⁴¹

39 "Research on the Influence of International Financial Institutions on Uganda's COVID - 19 Recovery Agenda", SEATINI, November 2021.

40 Country Assessment Report on COVID-19 Recovery Loans Provided by Bilateral and Multilateral Financial Institution in Bangladesh, Bangladesh Working Group on External Debt, Change Initiative and NGO Forum on ADB, August 2021

41 "Adding Fuel to Fire: How IMF demands for austerity will drive up inequality worldwide", Oxfam International, August 11, 2021, <https://policy-practice.oxfam.org/resources/adding-fuel-to-fire-how-imf-demands-for-austerity-will-drive-up-inequality-worl-621210/>.

You can't have a recovery with the same bad medicine.

What we can see of IFIs' track record in the COVID-19 response, and prior to, calls into question their role in the recovery and in addressing any future crises. Many actors are looking at the recovery as a chance to make windfall profits, and governments and corporate leaders are already selling old extractive projects and corporate boondoggles as the solution to restarting their economies.

THE ABILITY OF COUNTRIES AND COMMUNITIES TO RECOVER FROM THE COVID-19 CRISIS WILL NOT BE DETERMINED BY TOP-DOWN, ONE-SIZE-FITS-ALL PRESCRIPTIONS.

Some civil society groups are working to push the IFIs to change, to support a more sustainable and people-centered recovery, shifting to grant and concessional non-conditional lending and rebuilding social protection systems. Others are looking for alternatives to the IFI architecture and crisis capitalism, including south-south cooperation, decentralized systems of solidarity and mutual aid, a greater role for rights-based and humanitarian institutions, and multilateral funds for debt relief and social security. What is clear is that **the ability of countries and communities to recover from the COVID-19 crisis and the longstanding ecological and equity crises will not be determined by top-down, one-size-fits-all prescriptions. It will depend on creative solutions that are developed from the ground up and accountable to communities and civil society, especially those who will most bear the effects of these crises.**

RECOMMENDATIONS

Governments, IFIs and other actors financing and implementing COVID-19 response must:

- » Track and disclose all pandemic-related expenditure, activities and outcomes, including information in local languages and in simple, accessible format.
- » Conduct and disclose a third-party audit of use of all COVID-19-related funds.
- » Investigate and remedy any lack of consultation, risk assessment and mitigation, as well as any human rights violations, corruption, discrimination, or illegitimate exclusion.
- » Ensure any new COVID-19 or other crisis response or recovery interventions:
 - Take a human rights-based approach wherein countries are able to assess the human rights impacts of any interventions through open and informed democratic debate, and to prioritize their human rights obligations and guarantee the well-being and dignity of their populations over creditors' conditionalities.
 - Avoid any activity that has an adverse impact on the environment or human rights, or exacerbates any other local or global crises, such as climate or ecological crises, for e.g., large-scale mining and extractive projects.
 - Are developed through open, democratic, and transparent processes.
 - Involve meaningful consultation and participation of stakeholders, experts, and especially rightsholders and groups in vulnerable situations in planning, implementation, and monitoring.
 - Include robust due diligence, including identification and mitigation of human rights and environmental impacts.
 - Ensure compliance with local regulations and international agreements and standards.
 - Provide for checks and balances and accountability to citizens and impacted groups as well as remedy.
- » Proactively prevent future crises by:
 - Addressing the root causes of poverty, inequality, environmental degradation, climate change and corporate capture.
 - Ending support for activities that increase social and environmental vulnerabilities, including large-scale fossil fuel extraction.

- Guaranteeing the right to health, food, sanitation, social security, and an adequate standard of living; supporting the democratic and participatory development of comprehensive, accessible and accountable universal social protection systems; and refraining from promoting their privatization.
- Investing in high-quality sustainable public infrastructure in poor communities, including housing, healthcare, sanitation, water, food systems, and electricity.
- Ending the imposition of harmful conditionalities which undermine democratic processes and human rights, including regressive tax policies and austerity measures.
- Rebuilding the capacity of states to guarantee human rights and raise public revenue by addressing illicit financial flows and corporate tax dodging and loopholes.
- Establishing a sovereign debt workout mechanism and transforming global financial and debt architecture in adherence to UN principles.
- Supporting the development of global funds to provide grant-based financing for emergency response and comprehensive social protection.⁴²

Going forward, the global community must work to transform the international financial and development architecture, including by ensuring that the institutions providing crisis and development responses and financing:

- » Are democratic and accountable.
- » Embrace a human rights-based approach.
- » Prioritize grant or concessional financing.
- » Avoid harmful conditionality that undermines human rights and democratic processes.

42 For discussion of social protection funds, see "Call for Reactions: Proposal for a Global Fund for Social Protection", issued by Olivier De Schutter, Special Rapporteur on extreme poverty and human rights, December 15, 2020, <https://www.ohchr.org/EN/Issues/Poverty/Pages/global-fund-social-protection.aspx>; "Policy Brief: A Global Fund for Social Protection to promote policy and fiscal space to make the right to social protection a reality for all", Global Coalition for Social Protection Floors, October 2021, <http://www.socialprotectionfloorscoalition.org/2021/10/policy-brief-a-global-fund-for-social-protection-to-promote-policy-and-fiscal-space-to-make-the-right-to-social-protection-a-reality-for-all/>



Missing receipts: Where did international financial institutions' COVID-19 funding go?

January 2022

This report, published by the Coalition for Human Rights in Development, was written by Gretchen Gordon and it draws on the findings of a series of case studies developed by the Coalition's members and partners.

More information: <https://rightsindevelopment.org/missing-receipts>

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