



Annual Report 2006

1. INTRODUCTION

Even the most ardent supporter of the World Bank and IMF would have to admit that 2006 was a year spent on the back foot. This fact, and stalled progress in multilateral trade talks, saw an upsurge of civil society interest in and activism on issues of development finance.

The Bank has been mired in a self-destructive battle between Wolfowitz and his board over how to deal with the issue of corruption. The Bank's response to the challenge of climate change and energy poverty has been inaccurate and contradictory. The Bank's self-proclaimed function as a provider of global development knowledge has been savaged in a year-end evaluation by a blue ribbon panel.

It has been a disappointing year for observers of the Bank's environmental work: the completion of IFC safeguards has brought new worries, the Environmental and Socially Sustainable Development department was dismantled, and, despite claims to the contrary, old lessons don't seem to have been learned in forestry and mining. On a more positive note, there has been encouraging progress on conditionality, with the publication of 'good practice principles' which promise to reign in the use of conditionality, and the publication for the first time of partial details of the Bank's policy scorecard – Country Policy and Institutional Assessments.

Colleagues across the street at the Fund must be particularly gloomy about their prospects entering 2007. Buoyant global export markets and 2005's debt relief have allowed many countries to repay their debts to the IMF ahead of schedule. The new attitude is to avoid going to the Fund at all costs. This has left the Fund with a hole in its budget to match that in its credibility. The process of Rodrigo de Rato's strategic review has been poorly managed and many key issues neglected. Little progress has been made on the desperate need to reform the Fund's unfair governance structure.

In this environment, **highlights** of BWP's work over the past year include:

- **Raising the pressure on the Bank over its impact on climate change and energy poverty**
A report co-authored by BWP charged the Bank with failing to change the status quo in terms of its financing of fossil fuels.
- **Leading global civil society in IMF reform**
The Project has systematically analysed the reform proposals put forward by the Fund, debunked those that have promised more than they really offer, and collaborated with other agencies and academics in advancing pro-development proposals.
- **Shining a light on IFI transparency**
Together with the other agencies in the Global Transparency Initiative, BWP supported efforts to radically transform IFI disclosure policies through the unveiling of a charter on IFI transparency.

2. ADVOCACY

Climate change and energy poverty

Efforts by BWP this year have raised serious questions about the World Bank's legitimacy in championing its 'investment framework for clean energy and development', whilst continuing to provide significant financial and political support for fossil fuel projects that exacerbate climate change and do little to help the poor:

- After two years of dialogue and the submission of exhaustive research from BWP, the UK's largest ethical bank, The Co-operative Bank, announced in April that it would no longer hold IFC bonds. "We've looked at the recent investments of the World Bank's IFC and concluded that there is an unhealthy focus on fossil fuel technologies. Henceforth, we will withhold investments until such time as renewable technologies are much better supported", said Paul Monaghan, Head of Sustainable Development at The Co-operative Bank.
- In June 2006 BWP participated in an international meeting in Italy on oil, debt and climate change, one of the first efforts that brought together a groundswell of multi-disciplinary concern on climate change and development finance from activists all over the globe.
- BWP established an NGO working group in the UK calling for DFID to end funding for fossil fuel projects via multilateral development banks. In July 2006 BWP authored a joint statement on this issue, signed by 12 different environment and development UK NGOs, which led a cross institutional meeting between UK NGOs and relevant representatives from DFID, the Treasury, DEFRA, DTI and FCO.
- BWP co-authored the inter-NGO report *How the World Bank energy framework sells climate and poor people short*, which it launched at the World Bank and IMF annual meetings in September 2006. The report has since been used to inform campaigners and activists and as direct lobbying material for World Bank and government officials (see below).

IMF reform

The Project's advocacy efforts on the IMF were given a boost by the addition of Peter Chowla to the team in the role of Policy and Advocacy Officer. With his time dedicated to scrutinising the IMF, the Project has led UK and European NGOs in developing their positions on IMF governance reform. Aside from holding several workshops on the topic and coordinating civil society statements, Project staff and partners met regularly with officials in the UK to demand comprehensive reform of IMF governance. BWP was also invited to participate in the High-Level Panel on IMF board accountability hosted by the New Rules for Global Finance coalition in Washington, DC.

BWP is the only civil society group systematically monitoring all aspects of the IMF strategic review, including the IMF's budget crisis, the expansion of its role in low-income countries through the Policy Support Instrument (PSI), its proposals for new facilities for crisis and shocks financing, and its review of its surveillance remit. The project also was a key civil society contact point for a UK parliamentary committee enquiry into the role of the IMF, which recommended a reduced role and reformed governance for the institution. Finally, we have coordinated CSO input into the Independent Evaluation Office's work programme for 2007, influencing the direction of the evaluations.

UK decision-making at the IFIs under scrutiny

www.brettonwoodsproject.org/topic/uk

As a result of lobbying efforts by BWP and BWI-UK network members with UK officials, a number of positive statements and policy positions were made in relation to the World Bank and IMF in official UK reports and papers in 2006:

- DFID's report on the World Bank for 2005, published in 2006 saw an improvement from the previous year in terms of a more detailed discussion of key policies and projects; reference to some of the World Bank's internal accountability mechanisms; and detailed information on the UK's financial contribution to the World Bank Group, including a breakdown of UK support for trust funds. However, the report could have gone further in providing more critical commentary, particularly in relation to accountability and evaluation mechanisms.
- A report by the parliamentary group, the Environmental Audit Committee stated that DFID's energy and climate change policy lacked coherence: Although DFID highlights the serious detrimental impacts of climate change on the world's poor, it is also directly and indirectly responsible for significant emissions of carbon through the projects it funds, in particular via World Bank institutions. "For [DFID]'s main focus to be to work through multilateral organisations ... is entirely unacceptable."
- DFID's new white paper on international development included a chapter on reforming the international development system, but didn't go far enough in its consideration of IFIs, particularly in terms of governance issues. Positively it noted that "developing countries need more influence in the World Bank and IMF. They are weakly represented on both boards, where voting rights are decided by financial contributions. This balance must change." However, DFID failed to outline concrete commitments and strategy in relation to this point.
- In relation to the IFC's review of its environmental and social safeguard policies, DFID made a number of progressive recommendations, for instance on involuntary resettlement and community engagement. However, NGOs were ultimately disappointed by DFID's overall acceptance of the new 'performance standards' and its unwillingness to respond to the obvious incompatibilities with its own policies, such as on international environmental and human rights standards.
- Lastly, BWP presented oral evidence together with Christian Aid at the annual hearings on the World Bank and IMF held by the International Development Committee of the UK parliament for the fourth year running.

3. NETWORK STRENGTHENING

UK Bretton Woods Institutions network

The UK BWI network now numbers over 120 individual participants from over nearly 50 organisations. The Project facilitates input from this diverse group in to meetings with ministers, civil servants and quarterly meetings with the UK delegation at the World Bank and IMF.

BWP is doing a splendid networking job, especially in intelligence gathering, coordinating joint responses and organising meetings with the EDs and ministers. I think the value added is very outstanding and I do commend Jeff and the team for the excellent and cutting edge analysis that BWP provides to member agencies.

- Fletcher Tembo, World Vision

BWP coordinates UK NGO input and provides continuity in issue coverage in our quarterly meetings with the UK Executive Director to the World Bank and IMF, and bi-annual meetings with the UK secretary of state for International Development. We performed a similar function in meetings with both the Compliance Advisor Ombudsman and the Independent Evaluation Office, accountability bodies of the IFC and the IMF respectively. This coordination is reflected in the coherent, effective impact of UK groups at World Bank-IMF spring and annual meetings.

This year BWP undertook a survey of its BWI-UK network in order to evaluate its effectiveness in serving the network. Overall findings demonstrated that network members find BWP's functions extremely helpful. BWP is now acting upon other suggestions received, including: improving the UK section of the website and marketing it more widely; moving

towards more issue-focussed network meetings, as compared to full network meetings; and exploring strategies to make meetings with relevant UK officials more effective.

As part of efforts to further the UK NGO's thinking on conditionality and responsible lending, BWP and the UK Aid Network convened a meeting entitled *Rights, standards and mutual obligations: When is a condition not a condition?* This meeting brought together approximately 40 human rights, development and environmental NGOs and academics. It considered some of the complex linkages relating to economic conditionality and private sector lending safeguards; increased governance conditionality; and circumstances in which there should be a role for IFIs in helping to promote rights and international standards.

Euro-IFI network

The Bretton Woods Project was a central player in the establishment of this network in 2002. Over the past year, we attended strategy meetings in Brussels and Barcelona. The Brussels meeting was dominated by discussions of responsible financing standards, while at the Barcelona meeting BWP lead discussions on climate change and IMF governance reform.

After the Brussels meeting, participants met with European Executive Directors to the World Bank on the occasion of their annual visit to the European Parliament. Topics discussed included: World Bank and extractive industries (Chad-Cameroon pipeline and forestry/mining in DRC); Debt (implementing the MDRI, debt sustainability and odious debt); and follow-up discussions on conditionality and EU governance at the World Bank. Together with Eurodad and CRBM Italy, BWP-commissioned research into the evolving role of EU-IFI policy coordination provided the background for an unprecedented meeting between MEPs, members of the Directorate Generals on Development and Agriculture and European EDs. This is indicative of the fact that, over time, the civil society side has become increasingly effective in providing succinct briefings to the EDs in advance of our meetings, and has been able to prioritise its agenda and focus in on specific action points.

The planned meeting with European Executive Directors to the World Bank at the annual meetings in Singapore was cancelled after a civil society boycott of the entire meetings following the detention of accredited participants.

International IFI networks

BWP was at the heart of an international gathering of IFI watching organisations in Accra in 2005. In 2006, members of this network, such as INFID, Jubilee South and Focus on the Global South, were behind the planning for an alternative people's summit in Batam, Indonesia, in parallel to the WB-IMF annual meetings in Singapore. Marred by government attempts to shut the conference down, and Singaporean blacklisting/deportation of accredited participants, the meetings did provide an excellent opportunity for Indonesian CSOs to discuss their analyses of the role of the IFIs, and share these views with other participants from around the world. The conference saw the broad dissemination of the 'Shrink or Sink' campaign statement to mobilize support around a campaign on the IMF in 2007.

As regional animator for Western Europe, BWP staff continued to play a key role in supporting the development of IFIwatchnet (hosted by Third World Institute in Uruguay since 2005). We played a key facilitating role in IFIwatchnet's first international AGM in Uruguay in March. The meeting resolved a number of outstanding issues concerning technical development and governance of the initiative. BWP also continued to pioneer IFIwatchnet at major civil society events, including the blog at the spring and annual meetings in Singapore.

4. OUTPUTS

Bretton Woods Update: now in Spanish!

The number of subscribers to our flagship publication rose by over one thousand over the past year to over 9000. Continued support from the Swedish Society for Nature Conservation allowed us to translate the Update into Spanish – feedback from which has been very positive.

DECA Equipo Pueblo would like to congratulate you for the relevance and the quality of your publication Bretton Woods Update that we have received for more than 6 years. Moreover we want to highlight the usefulness of the Spanish version of this magazine that you distribute in electronic format.

- Domitille Delaplace, Equipo Pueblo, Mexico

A recent survey showed that our readers are very satisfied with the detail-level, tone, frequency, and length of *Update* articles, with approval ratings ranging from 80 to 90 per cent. The results also indicated that we are successfully filling the niche of covering the Bank and Fund policy and roles, but that we should seek to emphasise the environmental and social impacts of those policies. Readers stressed the importance of the links provided at the end of each article, and asked for the *Update* in PDF format, and our web-based newswire service to be offered by email. In response, we are working to improve our links, content delivery and news services.

Full survey results available at: <http://brettonwoodsproject.org/art.shtml?x=547545>

Please keep up the good work. As policymakers we don't usually have time to devote to investigating these topics, so your website and publications are extremely useful resources for us.

- Rosalind Mowatt, National Treasury, South Africa

Southern 'comment' pieces in 2006:

- *Good governance or bad practices? Two activists reflect on their mistreatment at the World Bank-IMF annual meetings in Singapore*, Maria Clara Couto Soares, ActionAid Brazil, and Jenina Joy Chavez, Focus on the Global South
- *Time to listen to Lesotho! The World Bank and its new anti-corruption agenda*, Hennie van Vuuren, Institute for Security Studies, South Africa
- *One hand gives while the other takes: Nicaragua under IMF conditions*, Adolfo José Acevedo Vogl, Coordinadora Civil, Nicaragua
- *Why have Bank-CSO dialogues on water faltered?* Belinda Calaguas, WaterAid
- *Using human rights tribunals to force Bank compliance: Uruguayan paper mill case*, Jorge Daniel Taillant, CEDHA Argentina

All of the Comment pieces are available at: www.brettonwoodsproject.org/comment

Selected briefings in 2006

Tarnished gold

This inter-NGO report examines the IFC's involvement in the gold mining industry and challenges the institution's refusal to report on its development impacts on a project-by-project basis.

World Bank clean energy investment framework: Sells the climate and poor people short

At the Gleneagles summit in 2005, the G8 mandated the World Bank to come up with an “investment framework for clean energy and development”. This NGO report points to the flawed green house gas emissions scenarios upon which the Bank’s analysis is based and considers the inconsistencies of the Bank’s approach in continuing to provide financial and political support for fossil fuel energy generation. It also challenges the Bank’s definition of “clean” energy which includes large hydro electricity, nuclear power and untested fuel technologies.

Research, knowledge and “paradigm maintenance”: The World Bank’s development economics vice-presidency

Worked with American University professor Robin Broad to publish an abridged version of her groundbreaking research. The publication presaged the release only a few weeks later of an official evaluation of World Bank research which mirrored many of the findings of the Broad report. Subsequently, BWP was pleased to agree to numerous requests to re-publish the article from Focus on the Global South, Third World Network and OneWorld.

Lots of folks must read your material! I've gotten many positive emails (including some writing requests) from UK etc folks based on my article you ran. Thanks!

- Professor Robin Broad, American University

Too much, too soon: IMF conditionality and inflation targeting

As part of a series targeting the ongoing IMF strategic review, BWP invited University of Massachusetts professor, Gerald Epstein, to explain the development impacts of IMF macroeconomic conditions and put forward viable alternatives based on his research with UNDP.

Beware the big, bland wolf: The first year of Paul Wolfowitz at the World Bank

BWP assessed Wolfowitz’s progress on Africa, infrastructure, debt relief and the environment.

Trip wires and speed bumps in service of global financial stability: A proactive role for the IMF

University of Denver professor of international finance Ilene Grabel argues that the Fund must use its technical expertise to mitigate the risks that culminate in financial crises.

The IMF and capital flight: Redesigning the international financial architecture

David Spencer, senior advisor for the Tax Justice Network, kicks off BWP’s series of briefings providing critical input into the IMF’s strategic review. He argues that there is a key role for the IMF in encouraging international financial centres to override bank secrecy.

Briefings available on-line at: www.brettonwoodsproject.org/briefings

Website

The **BWP website** continues to receive high-volume, consistent traffic. By year-end, traffic had reached over 3200 unique visits per day, a 78% increase over the previous year’s high. We are regularly told by interns, researchers and even officials, that articles from the BWP website are included in course curriculum for universities across Europe and North America. The diversity and volume of visitors from southern countries using the BWP website continues to increase.

5. CONCLUSION AND CHALLENGES

2006 has been an excellent year for the Project. New staff member Peter Chowla has reinvigorated our work on the IMF at a crucial time. In the past year, we thanked Andrew Scott of ITDG, Nick Hildyard of The Cornerhouse and Caroline Harper ex of Save the Children for their long-time dedication to the Project. They have provided invaluable feedback and guidance to our efforts over a number of years. New steering group members have brought fresh energy and ideas with them; we welcomed Peter Frankental of Amnesty International, Joanna Phillips of RSPB and Heather Stewart of *The Observer*. At the same time, we have been successful in diversifying our funding base so as to mitigate the effects of a decline in support from our core funder, however, continued vigilance will be required to ensure financial sustainability.

A number of exciting work prospects lay ahead for the Project in 2007 and beyond. We will continue to monitor the reform proposals put forward in the IMF strategic review, and advance innovative recommendations at strategic opportunities. A planned paper on the use of double majority voting is one such example. A new proposal for a joint European network working on issues of global governance of the financial sector is already well underway. IEO reviews of the IMF's use of conditionality may provide opportunities for leverage.

Work on IMF governance reform will provide the basis for the beginning of a campaign on WB governance reform. Such reforms will be one of the issues which UK NGOs will stress with DFID as it enters into the negotiation of the IDA 15 replenishment process. Chief amongst our concerns is that steps taken on conditionality in 2006 be locked in and a roadmap for further progress outlined. We will work together for the first time with partners on a European-wide campaign on the IDA replenishment, calling for an end to economic policy conditionality and a phase-out of Bank support for fossil fuels. This will provide momentum for work to encourage DFID to use its influence in the World Bank to drastically increase its support for renewables and energy efficiency. We will continue to work with partners in the Global Transparency Initiative, working to secure support for the IFI transparency charter, and for changes in the disclosure policies of the Bank and Fund.

Finally, BWP is delighted to announce that it will host the UK node of a new network monitoring the activities and pressuring for reform of the European Investment Bank. With a new mandate to massively increase its lending to developing countries, it is a critical time for civil society to work with the EIB to establish appropriate accountability mechanisms, and ensure that environmental and human rights safeguards are in place to protect the most vulnerable.

Of course, we will continue to play our service function – responding to the requests of members of the BWI-UK network and southern partners for contacts, information and analysis. As always, we look forward to your feedback on our work and your questions or comments about the workplan for the period ahead.

Jeff Powell
Coordinator

Lucy Baker
Policy and Networking Officer

Peter Chowla
Policy and Advocacy Officer

6. SUMMARY FINANCIAL STATEMENT 2006

| | |
|---|----------------|
| Expenditure (GBP) | |
| Salaries | 92,613 |
| Travel | 6,670 |
| Computers and Office Equipment | 3,801 |
| Consultancy fees | 14,011 |
| Conference costs | 2,999 |
| Other Direct Costs | 9,502 |
| VAT | 1,731 |
| Total | 131,327 |
| Income (GBP) | |
| CS Mott Foundation | 62,787 |
| Swedish Society for Nature Conservation | 9,163 |
| UK NGOs | 36,558 |
| Individual donors | 1,598 |
| Consultancy income | 5,000 |
| Other (reimbursement from GTI for conference costs) | 3,076 |
| Total | 118,183 |
| Opening balance 2006 | 74,073 |
| Closing balance 2006 | 60,929 |
| In-kind contribution | |
| The above figures do not include the generous in-kind contribution of Action Aid. This comprises office space, lighting, heating, cleaning, security, meeting rooms, ad hoc posting and copying, phone and internet access, payroll and accounts. | |
| In-kind (estimate) | 22,880 |